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Luxury after the Great Recession:

A study on consumer behavior
trends in Japan

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To my family

要旨

本研究は世界同時不況によってラグジュアリー消費がどのように変化したのかを明らかにすることを目的とする。

第1章は、本稿の背景と目的を説明する。世界同時不況下に生じた社会問題の影響で先進国におけるラグジュアリー消費者の購買意識と購買行動が変化し、その潮流は長期的に継続すると言われている。経済状況が改善されれば当該潮流も消失するであろうが、だからといって不況前のようなラグジュアリー消費行動に戻るわけではない。実際、アメリカやヨーロッパといった欧米先進国では、不況前と不況後のラグジュアリー消費行動は明らかに異なる。したがって不況後のあらたな潮流を先進国のラグジュアリー消費行動の転換期と見なすべきであるという主張がある。この主張を確認するため、本研究は先進国のラグジュアリー市場の1つとして日本を取り上げ、日本におけるラグジュアリー消費行動が欧米と同様に変化したのかどうかを明らかにする。

第2章は、既存研究を整理する。まず、アメリカやヨーロッパといった欧米諸国において世界同時不況によって生じたラグジュアリー消費の潮流を考察する。先行研究にしたがえば、不況下では、エリートや権力に対する消費者の信頼が減少する。失業率が上がり多くの消費者が経済的に苦しむ中で、派手な高級品を見せびらかすのは恥と見なされるようになったからである。ラグジュアリー消費を行う消費者は、明らかにそのブランドとわかるデザインではなく、シンプルなデザインの高級品を選ぶようになった。高級品を購入する際には罪悪感を持たずにいられるように、当該商品の優れた品質、すなわち耐久性や機能性を正当化するようになった。支払い金銭に見合った対価を得られる購買をすることは、ブランドネームよりも大切であるという考え方が広まったのである。

新たなラグジュアリー消費行動の潮流は以下の3点である。1) 環境や社会に悪影響を与えていないというだけでなく、それらを積極的に守ろうとしているラグジュアリーブラ

ンドを選びたい、2) ラグジュアリーな経験に対して興味があるので消費したい、3) ラグジュアリー商品を購入する際にユニークなモノを選びたい。

日本の消費者のラグジュアリー消費がどのように世界同時不況に反応したのかを考察した上で、不況下で他の先進各国の消費者と同様の反応があったことから、日本においても不況後のラグジュアリー消費行動にあらたな潮流が生じたという仮説を提示する。

第3章は、調査に用いた手法と調査概要を説明する。本研究は、問題式を明らかにするための最適な手法として質的調査を採用する。具体的には、日本の消費者を対象にラグジュアリー消費に関する半構造的インタビューとオンラインによるアンケートを実施する。インタビューには、本稿の課題に関する27個の質問を用いたインタビューガイドを設計した。実際のインタビューではインタビューガイドに従いながらも、インフォーマントの話しの流れに応じて適宜、質問項目、順序、形式を柔軟に変えた。オンラインによるアンケートはインタビューガイドに基づいて設計された。

第4章は、調査によって収集したデータの解釈と記述を行う。既存研究における理論と収集したデータとの関連を明らかにしながら提示した本研究の仮説を議論する。具体的には、第1にインフォーマントのラグジュアリーに対する意識を考察する。第2にラグジュアリーの購買意思決定前の情報探索や情報収集を考察する。第3に世界同時不況後の3つのラグジュアリー消費行動の潮流を考察する。

第5章は、本研究の発見物を議論し、理論的および実践的インプリケーションを説明し、残された課題と今後の研究の方向性を示唆する。

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Chapter I: Introduction

1 Background

Every economic crisis has some influence on society, but the global financial crisis that started in 2008, also called the Great Recession, has been a real turning point for the luxury market, introducing new trends and hastening some of the tendencies that had already appeared. Some authors, such as Giampaolo Fabris (2010), went as far as defining it the starting point of a new and differently shaped society, the “post-growth society”. In analyzing these socio-economic shifts, consumer behavior is of central interest as the thought processes that lie behind the act of purchasing goods are the basis for the creation of a new consumption model.

The Great Recession, and its economic and social consequences, have created a shift in developed markets’ consumers’ idea of conspicuous consumption: from the focus on aspiration and hope for a better lifestyle, it now attracts a sort of resentment or embarrassment. Global consulting firm Bain & Co. has dubbed this new approach to conspicuous consumption as “luxury shame”, a phenomenon which puts an end to the status symbol logic of luxury goods purchases: even while justifying their choice with the higher quality of the bought goods, luxury consumers want to avoid showing it off in a conspicuous way in front of those who are unable to afford it (anymore) (Cappellari, 2012). Furthermore, the luxury goods consumer is looking for brands that are, more than anything, in line with his values and personal style, and not just well-known. Instead of status symbols, we should now be talking about style symbols since the one thing the luxury good consumer wants to show off is their ability to appreciate some specific quality of the good (Fabris, 2003). As consumers grow savvier than ever thanks to internet technologies, an increased importance is given to the material quality of luxury goods in relation to its price, as well as to the story and values of the brand, in which social and environmental causes are now playing an increasingly important role. Consumers have become more critical in their spending choices. In fact, the tendency started in the last decade which saw consumers trading-down on most of their purchases while trading up in a few categories which they consider important has spread and intensified after the Great Recession. The widespread economic difficulties compel them to trade

down to low cost goods in most categories, but even in this situation the trading-up phenomenon in categories of choice has proved to be not only fast-growing, durable, and widespread, but it also has become more complex as consumers are scrutinizing every purchase they make with tremendous care and discernment (Silverstein, Fiske 2010).

These tendencies have their roots in social macro trends that begun in the last decade, but until the recession they were still at an early stage, showing themselves here and there, but only in an erratic manner and as an expression of single consumers'. It is only after the Great Recession took place, and the luxury shame phenomenon compelled consumers to re-think their relationship with premium goods, that these tendencies started presenting themselves as the rule, not the exception (Cappellari, 2011). Studies and researches in Europe and in the US seem to confirm this theory and authors such as Fabris, Silverstein and Fiske are confident in affirming that this is a radical revolution in the consumers' role and behavior.

The shift in luxury consumer behavior tendencies in relation to the Great Recession is quite apparent and easy to identify in most developed markets, in which the global crisis constituted a real turning point for luxury consumer behavior, with a shift from aspirational and conspicuousness to a more discreet luxury, attentive to ethic values and with an increased focus on experience and value for money; but the matter becomes more complicated when discussing luxury consumers in Japan, as the scarce quantity of literature on the topic might confirm. Japan's luxury market is the world's third-largest, after the American and Chinese, and unique in the sense that luxury is not regarded as aspirational and distinctive of the upper class, but rather as expression of the middle class mainstream taste; considering that around 90% of Japan's population consider themselves as part of the middle class and over 40% of women in Japan own a Luis Vuitton bag, Japanese luxury market has often been defined as today's only mass luxury market (Atsomon, Salsberg and Yamanashi, 2009) and its peculiarities and distinctiveness have made it hard to compare with other developed countries' luxury market. But today, after the Japanese economy, which has already been relatively weak for about two decades, suffered again from the Great Recession and brought consumer trust to a new low, consumers in Japan, after decades of behaving differently, suddenly look a lot more similar to their counterparts in Europe and the US, and their shift in the attitudes

and behavior, as well, seems likely to persist, irrespective of any economic recovery (Salsberg, 2010).

Frugality, anxiety, and attention to value for money are to be expected from consumers during economic downturns, but in this particular recession, with the complicity of other factors such as the new communication technologies and a less materialistic younger generation, they seem to have borne more deep-seated shifts in consumer behavior in developed markets. The appearance in Japan of luxury consumer behavior trends similar to those that have stemmed from the Great Recession in other mature markets like Europe and US, despite the radical differences that have characterized the Japanese luxury market for decades, could determine whether these trends are just circumstantial to the reaction European and American luxury consumer had to the global crisis or a real, cross-cultural revolution in consumers' behavior.

2 Purpose of the Study and Research Questions

The Great Recession and its worst consequences in terms of unemployment and social suffering have borne, in the short term, a widespread resentment and embarrassment for conspicuous consumption in mature markets. New trends and tendencies in luxury consumer behavior have stemmed, and many authors agree that they are here to stay, irrespective of any economic recovery.

In order to determine whether these trends are just circumstantial reactions to the global crisis or a real, cross-cultural revolution in luxury consumers' behavior, determining whether luxury consumers in Japan, whose behavior has presented great differences from their European and American counterparts' for decades, have reacted to the global financial crisis in a similar fashion to other developed markets, is of central interest.

In other words, what trends in luxury consumer behavior have been emerging in developed markets in relation to the global crisis? How has luxury consumer behavior in Japan been affected by the Great Recession? Are the new trends and tendencies emerging in luxury consumer behavior in Japan consistent with those emerging in other developed markets?

3 Structure

The research thesis is composed of five chapters in which the context for the research, the theoretical framework, the methodology applied, the data interpretation, and the findings are presented and discussed. Chapter II reviews the literature, discusses the influences of the Great Recession on luxury consumer behavior in developed markets and how similar tendencies have appeared in Japan despite the strong peculiarity of this market, and builds the hypotheses for the study. Chapter III describes in detail the approach applied to the research, the implementation of the strategy, and the sources for the study. Chapter IV presents the data gathered from semi-structured interviews and open-ended online questionnaires and demonstrates how the gathered data were used to answer the research questions in context of the literature. Chapter V discusses the implication of the results as well as the limitations of the study.

4 Definition of key concepts

This section provides the definitions for the key concepts utilized in the study.

4.1 Consumer behavior

The field of *consumer behavior* is “the study of individuals, groups or organizations and the processes they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs and desires”¹, and the impact that these processes have on the consumer and society.

On a more specific level, consumer behavior researchers try to understand issues such as:

- The psychology of how consumers think, feel, reason, and select between different alternatives (e.g., brands, products, and retailers);
- The psychology of how the consumer is influenced by his or her environment (e.g., culture, family, signs, media);
- The behavior of consumers while shopping or making other marketing decisions;
- How limitations in consumer knowledge or information processing abilities influence decisions and marketing outcome;

¹ Michael R. SOLOMON, *Consumer Behaviour: Buying, Having and Being*, Prentice Hall College Div; 2011, Global ed of 9th revised ed edition.

- How consumer motivation and decision strategies differ between products that differ in their level of importance or interest that they entail for the consumer; and
- How marketers can adapt and improve their marketing campaigns and marketing strategies to more effectively reach the consumer.

Consumer behavior involves the use and disposal of goods as well as how they are purchased. Goods' use is often of great interest to the marketer, because this may influence how a good is best positioned or how a firm can encourage increased consumption.

Consumer behavior studies find their application mainly in marketing strategies, but are usually applied in public policy and social marketing as well.

4.2 Modern consumption

Campbell (1987) identifies the activity of consumerism not as the act of purchasing something, but as the search for pleasure in the consumer's mind and in the illusion of something perfect. The greatest fascination of a new product is the hope that it will be the *perfect product*, better than the old one. Modern consumerism is thus characterized by the constant desire and research of the *new* and *better* that will transform consumers' daydreams of a finer lifestyle into reality. Therefore, consumption could be seen as an effort from the consumers' side to create their own individual reality through daydreaming. Of course, purchasing a new product does not change reality and, in the context of the psychological processes triggered by the present historical socio-cultural environment, it leads to a never-ending cycle of desire and purchase, where acquisition does not result in satisfaction but in disappointment and continued longing (Campbell, 1987).

Renzo Rosso, founder and President of the popular fashion brand Diesel, is noted to have said: "We don't sell a product, but a lifestyle" and has in fact based the brand's marketing activity on this view by promoting the concept of "Successful Living' lifestyle" in relation to his products. People buying Diesel's products are not only buying clothes, but also the illusion of improving their life by wearing them (Cappellari, 2011).

Lars Svendsen (2006) outlines the main difference between the classic and post-modern consumer: while the former had to consume in order to satiate basic social and biological needs, but with a budget allocation according to the social-material development of his historical period,

the post-modern consumer has become almost unable to differentiate between natural and artificial needs. That is because the division between the two depends mainly on the individual's culture, based upon society's culture itself.

4.3 Materialism

Materialism is the importance of material possessions in one's life (Richins and Dawson, 1992), and the belief that they are the primary source of happiness (Belk, 1985).

In order to invest such importance in objects, we must first come to believe that whether or not we possess certain material stuff is a significant source of well-being and identity. The stuff that best capture our desires is usually that which we regard as a luxury that not everyone can possess. Materialism involves a belief that those who own coveted luxuries are happier than those who do not.²

Materialism has been regarded as something negative in most cultures, and often as opposed to altruism or spirituality, but the desire for a new possession is sometimes stimulating, and may motivate people to work harder; and consequently, make them feel better about themselves when they achieve their goals and reward themselves. Although the final verdict on materialism nature still is not out, researchers have commonly agreed that highly materialistic people are not as happy and satisfied as less materialistic ones, although, as Belk (1985) notes, it does not necessarily mean that materialism decreases happiness, and maybe unhappy people simply turn to materialism hoping that new possessions will help them achieve happiness.

The idea is that there is a happy medium between the desire to spend and consume (materialism) on one hand, and the desire to deny ourselves material gratification (ascetism) on the other hand.³

4.4 Luxury

The Oxford Dictionary (2012) defines *luxury* as:

- (1) A state of great comfort or elegance, especially when involving great expense;
- (2) An inessential, desirable item which is expensive or difficult to obtain.⁴

² Russell W. BELK, *Materialism: Trait Aspects of Living in the Material World*, Journal of Consumer Research, December 1985, Vol. 12, No. 3, pp. 265-280.

³ *Ibid.*

⁴ OXFORD DICTIONARIES, *Oxford Dictionary of English*, OUP Oxford, 2012 (VII edition).

Thus, luxury refers to goods and services that are not essential and that are associated with affluence.

In contemporary Marketing, despite the substantial amount of literature and research on the subject, authors still have not reached a common definition. Many attempts have been made to define luxury based on the price-quality ratio and its uniqueness. B. Dubois (2001) defines it as a higher-priced tier of offerings in almost any product or service category, while Kapferer and Bastien (2009) take a different approach by defining it based on the extra pleasure it provides by flattering all of the senses at once. Chevalier and Mazzalovo (2008) characterize luxury as selective and exclusive goods or services that bring a creative end emotional value to the client, and reflect on how liable and vague this definition is. They also list as fundamental characteristics of luxury goods the artistic dimension, since consumers purchase them as objects with an emotional value and thus they have to be beautiful, almost a piece of art; the craftsmanship quality; and the international quality of the brand, which needs to be recognized and appreciated as a luxury brand globally.

4.4.1 Luxury goods in economics

In economics, a luxury good is a good for which demand increases more than proportionally as income rises, in opposition to a “necessity good”, for which demand is not related to income. Luxury goods are often synonymous with superior goods and are said to have a high income elasticity of demand: as people become wealthier, they will buy more luxury goods. Economists believe this effect takes place because of the firms’ price discriminating strategies: customers are proud to pay more for the meaning the product has.

Some luxury goods have been claimed to be examples of Veblen goods⁵, with a positive price elasticity of demand: increasing the price can increase its perceived value as a luxury good to such an extent that sales will go up, rather than down. Although the technical term *luxury goods* is independent of the goods’ quality, they are generally considered to be goods at the highest end of the market in terms of quality and price.

⁵ Veblen goods are named after economist Thorstein Veblen, who first identified the concepts of conspicuous consumption and status-seeking in 1899.

4.4.2 Characteristics of luxury goods

Goods can be perceived by consumers as luxurious for different reasons. Through the extensive analysis of a large-scale survey conducted in twenty countries, B. Dubois, G. Laurent and S. Czellar (2003), have defined six facets that create the structure of luxury goods' cognitive domain of content:

- Excellent quality

The mental association between luxury and quality is very strong, but often consumers cannot assess with certainty the quality of a luxury good or service, since they purchase and consume them infrequently, sometimes only once in their lifetime (i.e. engagement ring). Consumers utilize two major indicators to assess the quality of luxury: the perceived exceptional nature of the raw materials and the perceived delicacy and expertise involved in manufacturing the good or in delivering the service, which they expect to be an elaborate and time-consuming process.

The belief that the creation process of luxury goods and services requires considerable craftsmanship, with every detail being important and thus taking a long time to complete, enhances the consumers' trust in the reliability and durability of the product.

- Very high price

This characteristic is spontaneously associated with luxury, both on the basis of its absolute value and, more often, by comparison with lower-tier alternatives. Luxury's high price is considered a consequence of higher quality and is thus justified.

- Scarcity and uniqueness

The third aspect of luxury is a natural consequence of the luxury goods' high quality and price, as a product with those qualities supposedly cannot be mass-produced. Scarcity is not limited to the nature of the offering but also extends to its availability and usage. In fact, the majority of consumers expect luxury goods to have a restricted distribution and usage. Also, in contrast to mass stores, which offer a large assortment of goods at all quality levels, a luxury shop is perceived as offering a careful selection. If a product is sold there, it means it has passed a hurdle.

- Aesthetics and polysensuality

This facet involves a strong aesthetic appeal, to the point that, at its extreme, goods become pieces of art. This aesthetic dimension is expected from both luxury goods and the context in which they are presented, as well as the people utilizing them. Furthermore, luxury should not only be beautiful, but should be pleasant to every sense. Consumption of luxury is therefore perceived as a highly hedonic experience which can touch all senses.

- Ancestral heritage

Luxury is also perceived by consumers as having a strong relationship with the past. It is supposed to be derived from tradition and history, and thus very distant from the fads of fashion. To consumers, to be luxurious, a product or service needs to have a long history and their elaboration processes as well as consumption should respect tradition. Luxury must have a story to tell, or even better, a legend. This aspect puts luxury in contrast with cold, inhuman technology.

- Superflousness

Luxury is not felt to be necessary for survival. On the contrary, in order to be luxurious, products and services must not derive their value from their functional aspects but from additional benefits of a different nature. This is why product categories with little functional value such as jewelry and perfume have a high ratio of luxury goods.

4.5 New Luxury

The term “New Luxury” was coined by Silverstein and Fiske (2003) to refer to premium goods and services that possess a high level of quality, aspiration and design, and are more expensive than ordinary goods or services, but so much as to make them out of the reach of the middle class. While traditional luxury has at its core the product’s qualities, attributes and features that make it the best of the category, the New Luxury shifts the focus on the experience of luxury, embodied in the goods and services and thus defining the category of luxury from the consumers’ point of view.

The luxury consumer has shifted from caring about the material element to the unique experiences that make them feel special.[...] This doesn’t mean the super-affluent don’t care about

buying that luxury item, but they want the purchase to be surrounded by the ultimate, unique shopping experience.⁶

The difference between Old and New Luxury is often expressed by defining Old Luxury as a noun, as it focuses on the object, and the New Luxury as a verb, since its value lies in the experience, with the product being not the cause, but the catalyst for a luxurious feeling.

The real shift occurring in the luxury market that signifies New Luxury is the consumer-centric way people are defining luxury as an experience or feeling (Danziger, 2005). New Luxury brands and goods need emotional values that resonate with the consumers' personal image of luxurious lifestyle, giving them a feeling of privilege and freedom, enhancing their quality of life and leading them to self-actualization. As Brian Maynard, director for integrated marketing, KitchenAid Home Appliances, a division of Whirlpool Corporation said:

True luxury today is being an expert at something. It's being a wine expert, a cooking expert, a golf expert, because you have the time and wherewithal to take the time to study, to learn, to travel, and to become an expert. Luxury is about personal transformation and reinvention.⁷

Considering that New Luxury goods are based on the luxurious feeling they transmit, the number of products and services categories involved results extremely broadened: of course traditional luxury categories such as cars, apparel and jewelry are included, but so can be cosmetics, body treatments, or biological fruits bought at high-tier supermarkets such as Whole Foods Market (Cappellari, 2011).

In fact, since emotions depend on personal experiences and perceptions, the only way to determine whether a product can be defined as luxury would be by prefacing the remark "for me" (Kapferer and Bastien, 2009). This new definition of luxury is thus often associated with the so-called "democratization of luxury", which indicates a new, more affordable luxury. As a matter of fact, New Luxury targets, as well as more affluent shoppers, also more moderate income customers, while Old Luxury goods are high-margin and low-volume products aimed at the upper classes.

⁶ Sylvia Bass, vice president, Platinum and Centurion Product Management, American Express, cited in: Pamela N. DANZIGER, *Let them Eat Cake: Marketing Luxury to the Masses – As well as the Classes*, Chicago, Dearborn Trade Publishing, 2005, p.4.

⁷ Pamela N. DANZIGER, *Let them Eat Cake: Marketing Luxury to the Masses – As well as the Classes*, Chicago, Dearborn Trade Publishing, 2005, p.28.

Middle class household, which have seen their incomes rise steadily in the last decade, have developed an interest for luxury. Middle market consumers are then moving up to “a new level of goods and services that cost more than conventional products – sometimes a lot more – but seemed to deliver a lot more value, particularly emotional value, to them”⁸.

4.5.1 Emotional drivers toward New Luxury

The New Luxury consumer does not follow the consumption model based on income or status anymore. Rather, he is eclectic and pragmatic, creating a sort of patchwork of consumption models. In order to better understand this New Luxury consumer, Jean-Noel Silverstein and Neil Fiske (2004) have, through their studies, created a system of four emotional drivers that lead to New Luxury goods’ purchase, or “emotional spaces” that New Luxury goods and services must fill in order to be successful: Taking Care of Me, Connecting, Questing and Individual Style. These *emotional spaces* are often intertwined, but can be read separately in order to analyze them with more ease.

- Taking Care of Me

This emotional space is the most personal and immediate. The need to take care of themselves, sometimes even to indulge, derives itself from today’s consumers’ awareness of conducting a busy lifestyle, using up lots of time and energies on the job and/or family matters, which brings a feeling of “deserving” a little pampering, some kind of personal gratification, a moment of relaxation in order to heal and restore their body and soul from the stresses of everyday life. This could be done by visiting a spa, as well as by buying something nice, for example a skirt, as well as body products or premium food ingredients. Taking Care of Me goods are also tools that allow the busy consumer to manage their time better, including restaurant dining out and kitchen or laundry appliances that make household chores less time-consuming.

- Connecting

The desire to create new relationships and develop existing ones has different forms in different phases of people’s life. For example, for singles it is mostly centered on the search for the

⁸ Micheal J. SILVERSTEIN and Neil FISKE, *Luxury for the masses*, in “Harvard Business Review” (<http://hbr.org/2003/04/luxury-for-the-masses/ar/1>), 2003.

perfect companion, so the purchase and display of luxury goods has the function of showing potential partners qualities like good taste, education and values. An example of such goods would be apparel or wine.

But it is not only a language of display; it is also the New Luxury objects and experiences [they] talk about – from a description of a wine [they] enjoy to describing a trip [they] took. It is very unlikely that conventional middle-market goods will be referenced in dating conversations.⁹

This applies to young people looking for the right partner as well as to recent divorcees and to those who suffered a break up. Consumers who just went back to being singles tend to be ardent consumers. For those who already have a family, instead, the act of purchasing goods is usually determined by the desire to make the little time available to be spent with their loved ones even more pleasant in order to compensate, or even substitute, the moments that could not be shared. The most popular categories of Connecting goods would be home appliances and gourmet products.

- Questing

This emotional space is all about gaining new experiences and overcoming personal limits. New Luxury consumers want to buy goods and services that will enrich their existence, excite them and provide new intellectual stimulation. This desire has naturally brought to an expansion of travels market, but also ethnic restaurants. All those goods that somehow incorporate the essence of foreign and exotic places are part of this category.

- Individual Style

The role of the brand is central in both Old and New Luxury, but while in traditional luxury the brand had the function to show off the consumer's status and wealth, in New Luxury it has the function of expressing the consumers' personal style and values.

Today's consumers are very careful to align themselves with brands that they have affinity for and that are a good match for their own Individual Style.¹⁰

In purchasing a specific luxury brand, what today's customer wants to show off is his capability to appreciate a specific attribute of the good.

⁹ Micheal J. Silverstein and Neil Fiske, *Trading up: Why Consumers Want New Luxury Goods – And How Companies Create Them*, Portfolio, 2004, [Kindle DX version]. Retrieved from <http://www.amazon.com>.

¹⁰ *Ibid.*

4.5.2 New Luxury goods

While traditional luxury is all about exclusivity, targeting the higher-income class and being out of reach to most people, New Luxury goods are regarded as limited, but still accessible to middle class consumers. Still, in order to retain its luxury status, New Luxury goods' accessibility results limited if compared to middle-market ones, allowing a premium price which can easily reach as much as a ten times the conventional alternatives'.

Given the wide range of New Luxury goods categories, Silverstein and Fiske (2004) have divided them in the following three types:

- *Accessible superpremium* are products priced near or at the top of the category, but due to their being relatively inexpensive items, they still result affordable to middle-market consumers. For example, the luxury chocolate brand Godiva results very expensive if compared to other brands, but the product itself is still affordable and a very popular gift choice.
- *Old Luxury brand extensions* are lower-priced versions of products created by companies whose brands have traditionally been affordable only by the rich. Luxury brands such as Mercedes-Benz, Tiffany, and Ermenegildo Zegna have adopted this strategy and, while keeping the brand aspirational, have developed a range of more affordable products.
- *Masstige*, or *Mass prestige* are goods that occupy the sweet spot in the market "between mass and class", commanding a premium over conventional products, but priced well below superpremium or Old Luxury goods.

Despite the wide range of price and the variety of categories, New Luxury products have a definite set of common characteristics that sets them apart from both traditional luxury goods and conventional, mid-price products. While Old Luxury goods appeal rests in their exclusivity and middle-market goods' lies in its convenience and functionality, New Luxury goods are always based on emotions, and consumer develop a much stronger emotional bond with the products. Though essential, emotional engagement through factors such as brand values and company ethos is not enough to qualify a product as New Luxury. It must also have technical differences in design and/or technology that enhance its quality and that contribute to superior functional performance.

Middle-market manufacturers have achieved high-levels of quality and freedom from faults, so people who trade up expect New Luxury goods to have a higher quality. Brands often achieve this feeling of better quality by introducing elements of craftsmanship and thus, even if not completely handmade or hand-manufactured, giving an artisanal feel to its products, which allows emotionally driven consumers to better express their individuality and personal style.

4.6 The Great Recession

The term “Great Recession” is commonly used when referring to the global recession that began in December 2007 and took a particularly sharp downward turn in September 2008. It was sparked by the global financial crisis that originated in the summer of the same year from the bursting of the United States housing bubble, created from a combination of low interest rates and large inflows of foreign funds helped create easy credit conditions where it became quite easy for people to get home loans. As more and more people got home loans, the demands for property increased and fueled the home prices further. As there was enough money to lend to potential borrowers, the loan agencies started to widen their loan disbursement reach, relaxed the loan conditions, and granted a large number of sub-prime loans. With stock markets booming and the system flushed with liquidity, many big fund investors like hedge funds and mutual funds saw subprime loan portfolios as attractive investment opportunities. Hence, they bought such portfolios from the original lenders. This, in turn, meant that the lenders had fresh funds to lend. The subprime loan market therefore became a fast growing segment. Major (American and foreign) investment banks and institutions heavily bought these loans (known as Mortgage Backed Securities, MBS) to diversify their investment portfolios. The overbuilding of houses during the boom period finally led to a surplus inventory of homes, causing home prices to decline beginning from the summer of 2006 and the burst of the housing bubble. The consequent U.S. subprime mortgage crisis effects were not limited to the U.S. as the Mortgage Backed Securities (MBS), which by that time had been largely bought by giant international investments banks, lost their value and destroyed banks’ capital and gave start to the global financial crisis. Other important factors were the sharp increase of oil and food prices, a high global inflation, and widespread credit crisis. With loan losses mounting and the fall of Lehman Brothers on September 15, 2008, major panic broke out on the

inter-bank loan market. As shares and housing prices declined, many large and well established investment and commercial banks in the United States and Europe suffered huge losses and even faced bankruptcy, resulting in massive public financial assistance.

Then, the financial crisis spread to “real” economy through the following mechanisms:

- Credit crunch, meaning a reduction in the general availability of loans (or credit), or a sudden tightening of the conditions required to obtain a loan from the banks. A credit crunch generally involves a reduction in the availability of credit independent of a rise in official interest rates. In such situations, the relationship between credit availability and interest rates has implicitly changed, such that either credit becomes less available at any given official interest rate, or there ceases to be a clear relationship between interest rates and credit availability (According to the Council of Economic Advisors ,1991 – Ding, Domac, Ferri, *Is There a Credit Crunch in East Asia?* ,World Bank ,1998)
- Wealth effects: the harsh drop in houses and stock values produced a decline in consumption and business investment.
- Drop in consumer confidence and household income.

Because of the global interdependencies, worldwide commerce has been affected. The crisis ended up involving not only developed countries but also emerging ones. Only a few countries like China, India, Iran and Poland, though experiencing slowing growth, have avoided entering a recession.

4.6.1 The impact of the Great Recession on Japan

Prior to the Great Recession, Japan seemed to be finally climbing out of its post-bubble slump and economic performance was starting to improve.

In 2003-08, Japan’s growth in economic output was faster than America’s on a per-worker basis. Corporate profits boomed, and for a while the recovery seemed to be on a secure footing.

Some commentators even went as far as to claim that reforms instituted by Junichiro Koizumi, prime minister in 2001-06, had worked. Japan, they said, was back.¹¹

Unfortunately, the euphoria was short lived. At first, Japanese economy appeared to be relatively unharmed by the global financial crisis. However, in late 2008, it was hit by the decline of foreign demand (not only net exports to the US and Europe but also net exports of intermediate goods to Asian countries) and the appreciation of the yen's exchange rate, resulting in an average negative GDP growth of less than -10.0% in the annual rate for the fourth quarter of 2008 and the first quarter of 2009. To fight deflationary pressure and sharply declining exports, the Japanese government started aggressive stimulus macroeconomic policies from the second half of 2008. Since the interest rate had already been close to the zero bound even before the global financial crisis, the burden of fiscal policy was inevitably higher than in other developed economies. As a result of these expansionary fiscal measures, Japan has marked a positive real GDP growth in the latter half of 2009, though some critics remain as it has been argued that the repeated fiscal stimuli and accumulating government debt since the late 1990s have significantly lowered the Japanese fiscal multiplier (Iwasako, 2010). "For Japan, that relapse—its fourth postbubble downturn—further soured the national mood"¹². The severity of Japan's recession revealed that, far from embarking on a self-sustaining recovery, the economy had become "even more dependent on overseas demand; that there had been no recovery in wages and household incomes; and that nearly half the workforce was earning less than three million yen (\$36,000) a year. Wage gaps widened, and indices of social well-being, such as the suicide rate, remained at worrying levels"¹³.

Just when Japan was slowly showing signs of an economic relapse, it was hit by the triple disasters of March 2011—the earthquake, tsunami, and nuclear contamination crisis the disaster—bringing about a pessimistic sentiment which led consumers to once again cut their spending, and

¹¹ Peter TASKER, *Reflating Japan*, in VV. AA. *Reimagining Japan. The Quest for a Future that Works*, edited by McKinsey & Company, VIZ Media LLC, San Francisco, 2011, [Kindle DX version]. Retrieved from <http://www.amazon.com>.

¹² Stephen S. ROACH, *Asia's Sleeping Giant*, in VV. AA. *Reimagining Japan. The Quest for a Future that Works*, edited by McKinsey & Company, VIZ Media LLC, San Francisco, 2011, [Kindle DX version]. Retrieved from <http://www.amazon.com>.

¹³ Peter TASKER, *op. cit.*, [Kindle DX version]. Retrieved from <http://www.amazon.com>.

inevitably pushing the country back into an earthquake-related recession. The earthquake was a harsh hit on the nation's morale, but the consequent re-construction of the damaged areas provided a chance for the creation of new work places and to re-boost the Japanese economy.

Chapter II: Literature Review

In this chapter the literature related to the problem of the study is reviewed. In the first section the influences of financial downturns on consumers are discussed. In the second section the focus shifts to luxury consumer behavior and how it was influenced in mature markets by the Great Recession, and in the third section the stemmed post-recession luxury consumer drives are argued. Section four, five and six discuss the experience of consumers in Japan. Section four introduces consumer culture in Japan through an historical overview of its development, and with a focus on luxury consumption starting from the 1970s, when foreign luxury brands first entered the country. Section five and six explore luxury consumer behavior in Japan during the Great Recession and the luxury consumer behavior drivers it created.

1 How financial downturns influence consumer behavior

During hard and stressful times consumers' buying patterns tend to change (Nistorescu and Puiu, 2009). Financial crises affect consumers not only economically but also psychologically. Of course, the economic aspect is important: while businesses suffer from reduced economic activity, soaring unemployment and the rise of living cost are unavoidable; and while many are being laid off or struggle to find a job that would allow them financial security, consumers' ability to spend money is reduced; an increasing inflation and the rise of fuel, food and basic daily items' costs further increase consumers' difficulties, prompting them to cut their spending. But the factor influencing consumers' spending the most would be the uncertainty about the future, or a low consumer trust, which discourages from discretionary spending even for those who can afford it. As long as the medias are focusing on the crisis effects, and consumers are reading and listening more and more about the economic crisis, there is a "psychological effect with negative impacts on consumers."¹⁴

When expecting prices to rise, consumers worry that they will have to spend more on necessities and therefore have fewer resources for the purchase of nonessential goods and services.

¹⁴ Pandelica AMALIA, Pandelica IONUT, *Consumers' reaction and organizational response in crisis context*, The Journal of the Faculty of Economics, Uni. Of Oradea, May 2009, Vol. 4 No. 1, pp. 780.

Therefore, inflation encourages the postponement of discretionary expenditures, and the saving rates decline as economic conditions improve (Katona, 1974). Because consumers become more money-minded during a financial crisis, the buying process can shift from being a programmed behavior or a limited decision-making behavior, to an extensive decision making behavior. P. Amalia and P. Ionut (2009) have analyzed consumers' reaction and attitudes during crises focusing on risk attitude and risk perception. Risk attitude reflects consumer's interpretation concerning to the risk content and how much he or she dislikes the content of that risk. Risk perception reflects the interpretation of the consumer of the chance of being exposed to the risk content. Decomposing the consumer behavior in the two components and analyzing the way in which the two components are interacting, consumers can be divided into the following four segments:

The panicked consumers are those who have a high risk attitude and a high risk perception. This kind of consumers is in an immediately stressful situation. They are high risk averse and will try to avoid the risk. These consumers tend to over react in crisis context. Any way it is expected that panicked consumers to drastically cut their spending, to reduce consumption and to move down to the demand curve switching brands even product categories. They will eliminate major purchasing and will be focused on looking for best price. Thus, they are not loyal to any brand; they are loyal only to the best price.

The prudent consumers are those who have high risk attitude and low risk perception. Even if these consumers are risk averse they consider that are not in an immediately stressful situation because they are not high risk exposed. Thus, these consumers are very prudent and plan carefully their spending, postpone major purchasing, in some cases move down on demand curve switching brands, are very well informed in the purchasing process.

The concerned consumers are those who have low risk attitude and high risk perception. Even if these consumers consider that they are high exposed to the risk content they are not risk averse and usually they assume risks. So their behavior is determined first by the risk perception. Anyway, this type of consumers will plan their spending but it is not necessary to move down on the curve demand. This could happen only in case of risk perception increasing. Also, this category will continue to do major purchasing but only if they make a "good deal". If risk perception is increasing they will tend to postpone major purchasing. They tend to remain loyal to the brands but in some cases they move down to the demand curve so, in these cases companies could introduce a

lower version of the premium or middle brand in their portfolio to retain them. Also is interesting that this type of consumers is ready to try new products and innovative products and is those that will try first the innovative product in spite of the hard times.

The rational consumers are those that have low risk attitude and low risk perception. So they are not risk adverse and consider that are not exposed to the risk content. They avoid the information concerning to the crisis effects and generally they maintain their “usual behavior”. It is expected that this consumers not to reduce their spending, to continue to buy their favorite brands, to try the innovative products.¹⁵

2 Luxury consumer behavior during the Great Recession

Having discussed consumers’ reactions to an economic downturn in the previous section, the study’s focus now shifts to luxury consumer behavior, the most recent Great Recession, and the luxury consumer behavior trends that stem from it. This section discusses the trends most closely related to the economic downturn.

2.1 Decline of deference for the elite

The public’s respect and trust in “institutions and authority—particularly in government and business—has been declining for decades, fed by consumers’ growing confidence in their own ability to find information”¹⁶. The Great Recession has accelerated this decline of deference, because many notable figures were involved in corporate governance scandals and harshly judged by the public in regards to their unapologetic display of luxury despite the masses’ struggle with the economic situation, and their loss of assets and jobs. Richard Fuld, the CEO of Lehman Brothers, the fourth largest investment bank in the U.S. which declared over \$600 billion in bankruptcy on September 15, 2008, encountered harsh criticism for receiving over \$500 million in compensation and for leading a luxurious lifestyle; in 2009, Bulgaria has run an extensive media campaign publicly exposing tens of luxury cars registration cases, for which the owners intentionally avoided paying the governmental taxes (Petcu, 2010). The AIG scandal, which, less than a week after the federal government offered an \$85 billion bailout to insurance giant AIG,

¹⁵ *Ibid.*, pp. 780-781.

¹⁶ Paul FLATTERS, Michael WILLMOTT, *Understanding the Post-recession Consumer*, in “Harvard Business Review” (<http://hbr.org/2009/07/understanding-the-postrecession-consumer/ar/1>), 2009.

held a week-long retreat for its executives at one of the most exclusive and luxurious resorts (Whoriskey, 2008) and the scandal involving Alan Mulally of Ford, Robert Nardelli of Chrysler and Richard Wagoner of GM, who flew to Washington, D.C. on private jets to ask for \$25 billion in taxpayer loans to prop up their businesses. These are the most notorious examples of “incredibly wealthy individuals, who have been at the forefront in asking American taxpayers for financial assistance via financial bailouts from Congress, [and] have flaunted crass, unapologetic extravagance”¹⁷.

The public’s focus on corporate governance had been building for years, and, as Nike’s and Nestlé’s losses have shown, the reflex to punish companies for unethical labor was already strong before the recession; but the global financial crisis has “put a spotlight on corporate governance, in particular the malfeasance of some executives and the complicity of their companies’ boards. Misbehavior that boards might get away with in good times arouses the ire of consumers and regulators when the economy goes south”¹⁸.

2.2 Shift away from conspicuous luxury

The “luxury shame” phenomenon is most directly borne from the Great Recession and its consequences in terms of unemployment and social suffering. As the public opinion condemned outward displays of wealth, the elite seemed to realize that, in recessionary times, it is better to avoid flaunting one’s luxurious lifestyle and that “high-net-worth shoppers cannot afford to look like accomplices. Lavish spending and conspicuous consumption seem, if not corrupt, then at least in poor taste.”¹⁹

Multimillionaire Michael Hirtenstein used to flaunt his acquisitions of opulent real estate. “I collect homes because I enjoy it,” he once told *DansHamptons.com* about his eight properties—which included a \$27 million apartment on the 76th floor of Manhattan’s Time Warner Center. In August 2007, the 45-year-old Hirtenstein, who made his fortune in telecommunications, regaled the *New York Post* with his plans for a \$35 million, glass-enclosed duplex in Manhattan’s Tribeca

¹⁷ Ryan VINELLI, *Luxury Shame: An Emerging Norm*, Benjamin N. Cardozo School of Law, 2009. Available at “SSRN” (<http://ssrn.com/abstract=1349341>), p.3.

¹⁸ Paul FLATTERS, Michael WILLMOTT, *op. cit.*

¹⁹ JWT, *Work in progress. The recession and its impact on luxury*, in “JWT intelligence” (www.jwtintelligence.com), 2009, p.5.

neighborhood, replete with suede-covered walls, three living rooms and a heated pool with built-in underwater video screen. Alas, the economy ground to a halt, and so did Hirtenstein's conspicuous consumption of real estate. He quietly reneged on the Tribeca duplex, forfeiting a hefty deposit. That isn't to say Hirtenstein is now selling pencils from a tin cup. "I could walk downstairs now and buy a Ferrari," he says from a suite at Wynn Las Vegas, which boasts a dealership. "But all of my friends are hurting. I don't feel like buying random toys."²⁰

As the public opinion increasingly perceived luxury goods and services as outwards displays of wealth, luxury consumers became more hesitant to own or use them, wanting to "avoid showing them off in a conspicuous way in front of those who are not able to afford it (anymore)"²¹. The research agency Bain & Co. has dubbed this newfound level of social opprobrium "luxury shame", and many wealthy figures expressed a newfound contrition by showing off "new modesty": Michelle Obama made the headlines when she appeared on the "Tonight show" in a \$400 ensemble instead of a designer dress, and renown fashion magazine Vogue reinstated its "More Dash Than Cash" column, with "40 Tips for Fabulous Frugality" for its readers (JWT, 2009).

The global luxury market experienced a downturn in the first years after the global financial crisis hit and sales plummeted from the end of 2008 and the beginning of 2009. "Luxury retailers, which were growing 9 percent before the recession, saw sales drop by more than 13 percentage points from 2007-09 and luxury manufacturers were down even more."²² But signs of growth returned for the luxury industry as soon as 2010 (Euromonitor International, 2011), testifying that luxury consumers did not forgo their high-end purchases. Rather, luxury consumers changed their approach to luxury purchases: they introduced discretion and thrift to conspicuous consumption. Gilt Group CEO Susan Lyne, the former ABC Network president and Martha Stewart chief executive says that customers did not want to be seen walking with huge branded shopping bags (Roberts, 2008).

²⁰ Johnnie L. ROBERTS, *Luxury Shame*, in "Newsweek Magazine" (www.thedailybeast.com), 2008.

²¹ Romano CAPPELLARI, *Marketing della moda e dei prodotti lifestyle*, Roma, Carocci Editore, 2011, p. 19.

²² Yuval ATSMON, Demetra PINSENT, Lisa SUN, *Five trends that will shape the global luxury market*, McKinsey & Company, 2010, p.1.

Even before the recession, consumers were starting to feel overwhelmed by the profusion of choices and constant connectivity, and begun to simplify.

The U.S. publisher Time Inc. recognized this trend early and capitalized on it by launching its highly successful back-to-basics magazine *Real Simple* in 2000. Apple likewise was responding to the trend when it launched the elegant and spare iPod in 2001. The recession is accelerating this maturing trend.²³

Consumers were starting to show signs of being sated and tired by the incessant invites to spend and buy, and by the excessive consumption that characterized the years before the recession. Of course, during the Great Recession, many people had no choice but to economize, and even high-end consumers have been avoiding excessively conspicuous consumption and, were at first reluctant to admit their attraction to thriftiness; but the recession has made discretionary thrift acceptable and even fashionable (Flatters and Willmott, 2009).

2.3 Hunt for value

Inevitably, during a recession consumers become more money-minded, and initially consumers' increased hunt for value was perceived as a necessity created from the harsh economic situation. Instead, "it became a status symbol, the mark of being a smart consumer."²⁴ Consumers nowadays do not rely on information provided by experts and official sources; rather, they have become savvier and gather a great amount of information through family, social networks, user review sites and various other sources before their purchases, especially since the Great Recession strengthened the maximizing instinct and made luxury consumers willing to take time to scrutinize offers in search of both a quality and value-for-money result (Yeoman, 2010).

During the financial crisis the investment aspect of the product became an important defining criteria in purchases of luxury goods, and fashionable and over-priced goods and services are not necessarily considered as luxury anymore: consumers now expect luxury to have a verifiable quality.

²³ Paul FLATTERS, Michael WILLMOTT, *op. cit.*

²⁴ Karen WEINER, *The Top 8 Luxury Travel & Marketing Trends for 2012*, in "Luxury Society" (www.luxurysociety.com), 2011.

Consumers are looking at non seasonal and durable products, hence the success of the classic brands which never compromised on the quality of their products. There is an increased awareness of raw materials, with consumers paying attention not only to their quality but also to the standards of processing.²⁵

Marco Bizzarri, CEO of Bottega Veneta, comments on today's consumers:

Today, they come, they look, they want to understand, they check other brands, they come back and then decide. Conversion today is much longer. As from say buying 10 products, consumers are now buying one and they want to be sure they get the best deal.²⁶

Today's luxury consumer's determination to search and to find the best deal has made them more agile and much less loyal shoppers. They can easily access information on a variety of brands to meet their needs and desires, and will just as easily abandon any choices that did not satisfy them.

The instantaneous spread of word-of-mouth through online social networks has only accelerated this trend. [...] Exactly what consumers buy may change, but their facility in navigating the options will prove durable—as will their readiness to shift allegiances.²⁷

3 Post-recession luxury consumer drivers

3.1 Desire for responsible consumption

One of the main trends emerging in the post-recession years is consumers' growing awareness and desire for responsible consumption. This trend is “reinforced by the burgeoning demand for simplicity, the growing appeal of discretionary thrift, and ever-more-potent social norms against extravagant consumption”²⁸. Recently, when evaluating a good or service, consumers began requiring more and more reassurance on its ethical performance: when purchasing something, they expect (and require) it to be not only beautiful and functional, but also ethically correct (Cappellari, 2011). This trend is not restricted to a specific industry, but gains particular relevance in the luxury sector, due to the importance placed on luxury goods and services'

²⁵ Oliver PETCU, *The important changes in the luxury consumer behavior*, in “Luxury Society” (<http://luxurysociety.com/>), 2010.

²⁶ Nandini RAGHAVENDRA, *Consumer Behaviour Has Changed*, in “The Economic Times” (<http://articles.economictimes.indiatimes.com>), 2010.

²⁷ Paul FLATTERS, Michael WILLMOTT, *op. cit.*

²⁸ *Ibid.*

symbolic value and their ability to generate positive emotions as well as making consumers feel good about themselves. In this perspective, any luxury goods which, although aesthetically elegant, has been made through a process that damages the environment or employing underpaid labor cannot be evaluated positively. It is not surprising, then, Dior Group's quick decision to dismiss fashion designer John Galliano following his arrest over an alleged anti-Semitic tirade in a Paris bar (Cappellari, 2011). Luxury consumers nowadays not only expect luxury goods and services to be void of negative effects, but are increasingly focusing their attention on the ethical dimension of the brands and their proactiveness in social and environmental sustainability.

In mature markets such as the United States, an increasing number of consumers favor companies whose activities have a positive socio-cultural impact. Consider the following results from recent surveys.

Surveys by Cone have consistently shown that 85 percent of American consumers have positive images of companies that support social challenges. Even in difficult times, more than half of the consumers still expect companies to support social challenges.

Even during the recession, 38 percent of Americans were undertaking socially-conscious activities in 2009.

The majority of consumers in the United Kingdom (93 percent) want companies to improve the social impact of their products and services, according to a survey by Ipsos Mori.²⁹

2012 Nielsen Global Survey confirms the trend:

Nielsen's survey started by confirming what other studies have suggested, that the majority of consumers, today, express a general preference for companies making a positive difference in the world. Two thirds (66%) of consumers around the world say they prefer to buy products and services from companies that have implemented programs to give back to society. [...] Nearly half (46 percent) say they are willing to pay extra for products and services from these companies.³⁰

Between the elements that contribute to the evaluation of a brand's ethical performance, environmental sustainability is gaining more and more attention in recent years (Cappellari, 2011).

²⁹ Philip KOTLER, Hermawan KARTAJAYA, Iwan SETIAWAN, *Marketing 3.0. Dal prodotto al cliente all'anima*, Milano, Il Sole 24 Ore, 2010, p.122.

³⁰ THE NIELSEN COMPANY. A Nielsen Report. *The Global, Socially-Conscious Consumer*, The Nielsen Company, 2012, p.3.

Consumers have increasingly embraced green products and services over the last few years, and are willing to pay a premium for “the chance to do good and, in many cases, be seen doing good”³¹. Gucci has embraced this trend, launching a sustainable eyewear line and introduced 100% recyclable packaging with FSC (Forest Stewardship Council) Certified paper; PAK 2000, packaging supplier to Valentino, Versace, Prada and other fashion brands, cut financial ties with their majority shareholder, Asia Pulp and Paper (APP), who source from the Indonesian Rainforest and committed to source environmentally responsible paper; Gap decided to take part in Better Cotton Initiative, a project promoted by WWF to support socially and environmentally sustainable cotton cultivation; Timberland launched an eco-friendly shoe line. Marni’s designer Consuelo Castiglioni used recycled materials for the brand’s Recycle Collection; Designer V. Bruce Hoeksema created an animal-free bag collection featuring alternative materials that met the highest ethical standards without compromising on style. Even luxury resorts and hotels have gone green: The Luxury Eco Certification Standard (LECS), offered by Sustainable Travel International (STI), has been designed to assist luxury hotels in creating and implementing a sustainability management framework and is assigned to luxury hotels implementing sustainable business practices, such as organic produce menus and fair trade décor, like the Hotel Fouquet Barriere in Paris. These are but a few examples of luxury brands’ reaction to their consumers’ growing desire for responsible consumption.

3.2 Desire for experience

Another important trend in post-recession luxury consumer behavior is the shift of preference from owning a luxury to experiencing a luxury. The experiential luxury scope is quite wide and includes categories such as travel, fine dining, entertainment, spa and beauty and home services. The Boston Consulting Group’s research “shows that experiential luxury now makes up almost 55 percent of total luxury spending worldwide and, year on year, has grown 50 percent faster than sales of luxury goods”³². Before the global crisis, consumers had already begun feeling

³¹ Paul FLATTERS, Michael WILLMOTT, *op. cit.*.

³² Jean-Marc BELLAICHE et al., *Luxe Redux: Raising the Bar for the Selling of Luxuries*, in “BCG Perspectives” (www.bcgperspectives.com), 2012, p.3.

overwhelmed by excessive consumption and materialism, and the economic downturn pushed them to redefine luxury altogether, sometimes in a non-materialistic way.

Most consumers in developed markets believe that they already have everything material they need, and that time and energy are more important to them than money. Consumers in these markets are therefore looking beyond the tangible benefits of consumption to the intangible, such as improved wellbeing, self worth, education or novelty in experience.³³

Demographic conditions are also supporting this trend: firstly, a big proportion of luxury expenditure in developed markets is accounted for by the baby boomer generation, which drove the luxury boom in the 1990s, and are now beginning to retire. They are at a stage in life in which their materialistic need to accumulate goods is subsiding and their free time is increasing, making them primary customers for experiential luxury offerings. Secondly, members of Generation Y, meaning today's late teens and people in their 20s, are very achievement-oriented and tend to define themselves more by what they have done than by what they own.

The Great Recession's influence on luxury consumers has accelerated this trend. As consumers grow increasingly money-minded they actively look for the best value-for-money deal and consider their luxury purchases as investments, thus considering their durability an important factor. The experiential luxury market has benefited from these shifts in consumer behavior, as the services it offers produces long-lasting memories which increase the sense of satisfaction that consumers get from the purchase. A growing number of luxury consumers are increasing the share they spend on experiential luxuries and shifted from collecting long-lasting goods to collecting memories that last a lifetime.

Consumers indicate that they are seeking a greater sense of purpose and satisfaction, and luxury experiences often fulfill those wishes more strongly than purchases of luxury goods do. A recent study by Unity Marketing shows that U.S. consumers are more than three times as satisfied with their luxury experiences as they are with their purchases of personal luxury goods. That same study shows a steep drop-off in consumers' satisfaction with their purchases of personal luxury goods—declines of 5 percent and 16 percent, respectively, in a recent three-year period—whereas

³³ SAVIGNY PARTNERS, *The Experiential luxury – life beyond bling*, in “Savigny Partners llp” (www.savignypartners.com), 2008.

the same consumers showed 3 percent rise in their contentment with their choices of luxury experiences. These findings corroborate BCG's recent consumer research: "I'd rather spend more on experiences than on clothes," one shopper told us. "Although experiences are more intangible than an item, they're more memorable to me".³⁴

Luxury providers are reacting to this trend and expanding in the scope of experiential luxury, and multiple luxury goods brand, such as Armani and Bulgari have opened restaurants and cafés and luxury leading group LVMH has been developing its Cheval Blanc hotel franchise. Furthermore, brands are focusing on boosting experience as part of the overall offering; for example, Apple turned shopping into entertainment, allowing customers to interact with "cool" technology in spacious, well lit stores. Sephora offers a 90-minutes beauty consultation service in most of its stores. Swiss brand IWC promotes its Pilot's watches by offering customers a ride on a flight simulator. Jimmy Choo created a virtual scavenger hunt around London to introduce its first sneaker collection: when followers saw that a pair of shoes had "checked-in" somewhere in the city, the first to arrive would receive a pair in the style and size of their preference. "British label Alfred Dunhill has moved beyond simple retail stores to create a branded world that immerses consumers in a full shopping, dining and grooming experience that aims to recreate the life and style of its namesake founder."³⁵

3.3 Desire for the unique

Luxury consumers' desire for uniqueness, concretized in customization and made-to-order luxury, is also on the rise. Luxury used to be synonymous with exclusivity, but with so many stores and so many new channels to buy from, we have begun to see a sort of commoditization of exclusivity. In a sense, then, customization is the ultimate in exclusivity:

The only thing more luxurious than a signature Burberry trench, is a signature Burberry trench made entirely to your specifications.³⁶

³⁴ Jean-Marc BELLAICHE et al., *op. cit.*, p.6.

³⁵ Kayla HUTZLER, *Alfred Dunhill keeps guests in-store with London lifestyle experiences*, in "Luxury Daily" (www.luxurydaily.com), 2011.

³⁶ Sophie DORAN, *Luxury, Fully Customizable in 2012*, in "Just Luxe" (www.justluxe.com), 2012.

With luxury purchases becoming more deliberate, consumers expect more. They want more made-to-order products and more services tailored to their needs, such as preferred pillow types or pet-sitting at hotels.³⁷

In general, it can be observed that, although purchasing luxury brands for the sake of owning luxury is considered wasteful, when a product is felt to reflect their own personal style and values as individuals, consumers feel their purchase is justified despite the premium price. Consumers are attracted to customization because it allows them to pack more emotional punch in their purchases. Of course, made-to-order luxury goods or services are more expensive than mass produced luxury goods, but “for many, luxury is often achieved not through the accumulation of multiple goods but through the purchase of a particular, special item”³⁸, making customization alluring despite its elevated price.

Consumers are continually willing to pay more for personalization, not only because it is customized to suit their preferences, but also because they have a greater sense of involvement and ownership. “A luxury customer wants to be first, wants to be treated special, wants everything customized and wants to be treated in a personal way,” says Connie Livsey, director of beauty and lifestyle at Harper’s Bazaar.³⁹

Furthermore, made-to-order goods are associated with higher quality and craftsmanship, thus seen as more valuable and a good lasting investment. As a matter of fact, Hermès, an iconic luxury brand famous for its silk scarves and handbags, was one of the few luxury providers that did not suffer from the downturn generated by the global financial crisis. Its hand-made and mostly made-to-order iconic Kelly and Birkin bags are the core of the brand’s business, and customers usually have to wait a few years on the waiting list before they can receive the bag they requested (Thomas, 2007). Following this trend, Italian fashion brand Bottega Veneta has developed a monogramming service, German automaker BMW is encouraging consumers to discover the different ways in which they can customize their branded vehicle through its new iPad application,

³⁷ Yuval ATSMON, Demetra PINSENT, Lisa SUN, *op. cit.*, p.1.

³⁸ Yan YEOMAN, *The changing behaviours of luxury consumption*, in “Journal of Revenue and Pricing Management” (www.palgrave-journals.com), 2010, p.48.

³⁹ Nikoleta PANTEVA, Agata KACZANOWSKA, *The New Luxury*, in “IBIS World” (www.ibisworld.com) 2012.

Louis Vuitton launched a service that allows customers to customize their Louis Vuitton bag, ending up with over 200 million possible combinations on your bag of choice. Apple products come in various sizes, colors and memory capacities, with the option of free engraving, and buyers can also personalize them with additional software and programs. Many department stores offer makeovers or personal shopping assistance upon request, catering to individual preferences. Sleep Number luxury beds are adjusted manually by users, while memory-foam mattresses contour to each person's body. Burberry's Bespoke service allows clients to choose fabrics, patterns, designs, cuts and even colors. Prada launched customizable eyewear and accessories options, and Gucci moved into made-to-measure suits and shoes. Brioni recently revealed that 40% of its sales are derived from its bespoke products, stitched by hand in the Southern Italian town of Penne.

4 Historical overview on the development of consumer culture in Japan

The Great Recession had a great impact on developed markets' consumers, crushing consumers' trust and forcing them to rethink and modify their thought process and their relationship with purchased goods and services. As discussed in the above section, consumers redefined luxury altogether, and the "traditional notions of luxury—related to factors such as status and wealth, for example—are in full retreat in the developed countries."⁴⁰ While the differences in luxury consumers' pre-recession and post-recession behavior might be quite easy to spot in Europe and in the US, in Japan it might not be as evident. In Japan, consumers' relationship with luxury has been peculiar and distinct from that of luxury consumers from other countries where it definitely had aspirational characteristics.

Luxury brands have served as the 'preferred mode to demonstrate wealth' in a nation where big homes and big cars, for example, are rarely an option. Whereas elsewhere in the world luxury brands have traded on the notion of exclusivity and differentiation from the herd, in Japan a handful of these brands—including Louis Vuitton, Gucci, Chanel and Prada—have acted as the arbiters of mainstream taste. Buying these labels has meant fitting in with fashion—conformity and group harmony being particularly important to Japanese culture. As psychologist Toshio Yamagishi of Hokkaido University explained in concluding a study on the cultural differences and differing social

⁴⁰ Jean-Marc BELLAICHE et al., *op. cit.*, p.7.

restraints of Americans and Japanese: “By default, Japanese tend to view situations as ones in which they are under surveillance from others, whereas Americans tend to view the same situations as ones in which no one cares about their choices”.⁴¹

Moreover, consumer trust in Japan has been low since the economic bubble burst in the 1980s, so its level did not experience as much of a drop as in other countries as a consequence of the Great Recession. In order to better understand luxury consumer behavior in Japan and its peculiarities, this section contains a historical overview of the evolution of the consumer culture in Japan, with an emphasis on luxury consumption starting in the 1970s, when foreign luxury brands first entered the Japanese market.

4.1 Pre-war Japan

The foundation of contemporary consumer culture in Japan dates back to the inter-war years, when a great number of workers migrated from the countryside to the big cities, leading to a strong urbanization. In 1920 Tokyo’s population amounted to 3.700.000, or 6.6% of Japan’s total population, but only ten years later this percentage had grown to 8.4% and in 1940, with a population of 7.360.000, Tokyo had become home to 10.2% of Japan’s total population. Osaka, Nagoya and a few other cities also had a similar growth rate (Miura, 2012).

By the inter-war period, Japan was experiencing the development of many of the infrastructures taken to characterize ‘modern life’ in the West – commuter suburbs, department stores, the system of mass advertising and so on. In many respects these features provided the framework within which a growing urban middle class sought to obtain and accommodate new consumer goods derived from the West and the lifestyle embodied in them.⁴²

In this environment a new middle class youth, the so-called modern boys and modern girls, developed a cultural interest towards goods related to Euro-American lifestyles and the modernity it represented. This youth would wear American-style clothes bought in department stores and listen to the radio (transmissions started in 1925 in Tokyo, Osaka and Nagoya), not so different from their European and American counterparts. The boom of food inspired to euro-American

⁴¹ JWT, *op. cit.*, p.7.

⁴² Penelope FRANCKS, *The Japanese Consumer: The Alternative Economic History of Modern Japan*, Cambridge, Cambridge University Press, 2009, pp.109-110.

cuisine clearly represents this trend: Japanese curry rice, *tonkatsu* and *korokke*, Japanese versions of European cuisine, became extremely popular dishes, enough so to be called the “three great Western dishes” (Miura, 2012).

Life in the city changed deeply in these years, due to the effects of urbanization and the development of mass media. Most of these transformations, as well as the start of a consumer culture, were limited to big metropolitan areas, where only 10% to 20% of Japan’s total population lived. In the countryside, which still housed most of the nation’s population, almost no change occurred. The rural areas had to wait until the post-war growth period, when the surge of wealth finally spread to the whole nation, to develop a consumption culture.

4.2 The post-war growth

World War II marked the start of a shortage period. During the war years the nation’s efforts were directed to support the imperial army and the country, and there was no place for extravagance and consumption. The focus was simply on survival. Even after the war ended, the period of shortage lasted a few more years, as unemployment soared and Japan faced food shortages.

In the early 1950s, consumption had more to do with putting rice on the table than with the pursuit of pleasure. [...] Caloric intake in Japan remained far below that of the affluent Western countries.⁴³

In 1950, with the start of the Korean War, US military procurements created a large demand expansion in Japan, and a rise in foreign exchanges, leading to the first rise in living standards.

Exports rose in response to the rise in international prices, stimulating production, employment and profits: the Japanese economy thus surged forward into its first post-war boom.⁴⁴

This was the start of Japan’s amazing economic success, and the rapid growth period lasted until 1973’s oil shock. During this period of time Japan had an average growth of 9.1%, investment in industrial increase and production capacity expanded 15.7 times. A steady migration of workers

⁴³ Simon PARTNER, *Assembled in Japan: Electrical Goods and the Making of the Japanese Consumer (Study of the East Asian Institute, Columbia University)*, Berkley, University of California Press, 1999, p.139.

⁴⁴ Parissa HAGHIRIAN, *Japanese Consumer Dynamics*, New York, Palgrave Macmillan, 2011, p.5.

from the countryside to the cities could be observed, the tertiary industries also expanded. Japan developed into a fully industrialized economy (Haghirian, 2011).

These economic changes led not only to an increase in income but also to an increase in spending among Japanese consumers, who started to manifest their enjoyment of their new-found wealth by purchasing consumer goods.⁴⁵

In the ten years from 1955 to 1964 the craze was all about the “Three Treasures”: television, electric washing machines and refrigerators. Although expensive, in Japan these appliances entered households very quickly, with their ownership going from less than 5% in 1950 to over 90% by 1970; from 1965 it was the boom of the “3Cs”: car, cooler and color television (Miura, 2012). With the Japanese economy flourishing, the fascination with the opulent ‘American way of life’ was no longer unreachable, and was influencing lifestyle and consumption habits in Japan more than ever before. The family structure did not escape this influence. The American family model became increasingly popular: women started to retire from their jobs and became full-time mothers and housewives. American and Japanese advertising alike promoted idealized images of pretty, young housewives effortlessly performing housework (Partner, 1999). Ownership of a house and a car also experienced a boom, becoming synonymous with success. However, despite this rise in consumption, saving rates were still high, because in Japan many consumers preferred to pay for goods with their savings rather than by installment plans (JETRO, 1985).

4.3 Towards the economic bubble and its aftermath

The oil crisis that hit in October 1973 put an end to the rapid growth period that saw an annual average growth of 9.2% from 1956 to 1973. In 1974 Japan experienced a negative growth, and the average growth from 1974 to 1990 was 4.2% per year (6% during the bubble economy period). In this period Japan’s priorities and consumption patterns experienced a shift and consumers in Japan started to look for goods that would increase satisfaction in their lives (Haghirian, 2011). In 1970 the World Exposition that was held in Osaka created a strong interest in foreign countries, and overseas tourism soared. Also, as consumer buying power grew, the

⁴⁵ *Ibid.*, p.6.

quality of goods and services gained importance in respect to their price (JETRO, 1985); definitely a big change from the previous period, when convenience and usefulness had been main drivers in consumers' choice, and tourist-shoppers from Japan became a noticeable phenomenon in Europe. Luxury houses took notice of the opportunity the Japanese market represented and started opening up branches; the first being Gucci, which opened its first store in Tokyo in 1972, and Luis Vuitton, the most successful luxury brand in Japan, entered the market in 1978 (Chadha and Husband, 2006).

From the 1970s onwards, the range of choice in the products available to consumers expanded markedly. [...]In the latter half of 1980s private consumption became a motor of economic development. The so-called bubble saw a further boom in consumption. Salaries continued to improve, and, with many jobs available, a large-scale market for expensive imported products developed. Foreign travel became even more fashionable, with the number of Japanese travelling overseas rising to 10 million per year.⁴⁶

The obsession of tourists from Japan for luxury shopping prompted European luxury houses to open more stores in their favorite travel destinations, such as Hawaii and Hong Kong, as well as in Japan. Consumption became increasingly conspicuous in Japan and the three new fixations of consumers were defined as the 'three Js': jewels, jet travel and *jutaku*, or home ownership (Partner, 1999). Sectors like eating out, medical care, private transportation, education and entertaining also experienced a rapid expansion. Ninety percent of Japan's population considered themselves as members of the middle class (JETRO, 1985).

Unlike in the West where luxury branded goods are an expression of social class, income and refined taste, allowing consumers to distinguish themselves from the mainstream, in Japan luxury branded goods represent the mainstream. In a society that [...] claimed everyone was middle class, luxury branded goods evolved from status symbols into social codes, identifying the owner as belonging to the larger collective group. In this social context, not having the same status could cause discomfort.⁴⁷

⁴⁶ *Ibid.*, p.8.

⁴⁷ JAPAN MARKET RESOURCE NETWORK, *Japan's Changing Consumer: Drivers of Change for Luxury Brands*, in "JMRN" (www.jmrn.com), 2007, p.1.

The bursting of the economic bubble in the early 1990s left Japanese banks in a difficult position, as they had to deal with a great amount of insolvent loans that resulted in bankruptcies, a rising unemployment rate and the gradual disappearance of lifetime employment, which had been the norm during the economic growth period. Not surprisingly, the economic condition crushed consumers' confidence, and consumption became more cost-oriented. The processes of deregulation that took place in this decade also brought about a reform in the retail market, as the traditional multi-layered distribution system proved to be too expensive in these times of recession, and new and more consumer-oriented models developed. Direct imports allowed good quality for lower prices, and outlet malls that sold quality leftover goods at a highly discounted price also flourished. These new styles of consumption resonated with the current pessimistic consumer attitudes (Gakken, 2002).

It is in this decade that phenomenon of the group called "parasite" singles gained more and more attention. The term refers to youth aged between 20 and 34 who, instead of getting married and moving out, continued living with their parents even after they become adults. Estimates drawn from the 1995 national census reveal that a total of 10 million young people in Japan belong to this group.

By living with their parents, young people avoid having to pay rent and contribute just ¥10,000 to ¥30,000 a month for food. They also can leave the housework to their mothers. Though jobs may be hard to come by and salaries low for new graduates, temporary employment paying ¥100,000 a month is still plentiful. This is a ridiculously large amount of pocket money. According to a survey of single working men and women in the Tokyo metropolitan area, monthly spending money averaged ¥70,000 among men and ¥80,000 among women, with 40% of the women enjoying an amount in excess of ¥100,000. With this sum, they can easily purchase famous-brand goods, a car, and virtually anything else that takes their fancy.⁴⁸

Parasite singles generated a high demand in the luxury market, which explains why this sector reported growing profits even during the post-bubble downturn.

⁴⁸ YAMADA Masahiro, *The Growing Crop of Spoiled Singles (a presentation of Yamada's views in English)*, Japan Echo, June 2000, Vol. 27, No. 3 p.49.

While during the post-war growth period consumers in Japan focused on big sized goods, such as washing machines and televisions, that the whole family could use, from the mid-1970s, their interests shifted to small and light goods for personal use. The Walkman, the personal stereo device launched on the market by Sony in 1979, was an incredible hit, and from then on the trend was all about thin, light, small personal devices. Personal computers, headphone stereo devices quickly gained popularity, even the car market consumers' growing preference for light motor vehicles rather than the previously unrivaled bigger model such as the Toyota Corolla or the Matsuda R360 was noticeable (Miura, 2012).

4.4 The dawn of a new millennium

At the turn of the new millennium Japanese society found itself facing a demographic downturn and a progressively aging population. The working-age population, or the number of Japan's population aged between 15 and 64 years, peaked in 1998, while the national population reached its maximum in 2007. The diminishing working-age population, or decreasing Japanese work force, means a decrease in the nation's economic strength, and a demographic decline also translate as a decrease in consumption (Miura, 2012). The long-lasting recession that Japan had been thrown into after the economic bubble burst, the crush of some of Japanese economic pillars such as lifetime employment and the stability of Japanese corporations had certainly crushed consumer trust. Moreover, the first decade of the millennium saw a number of scandals involving Japanese firms such as Livedoor. Co., Tokyo Electric Co. and Matsushita, leading to high concern among consumers regarding customer service and good management practice (Haghirian, 2011). In 2000, when Snow Brand Milk Products Co. shipped old milk and sickened more than 14,000 people, the country experienced its worst-ever outbreak of food poisoning. In the following years it became clear that the Snow Brand scandal was not an isolated case in the food industry, as other scandals involving companies such as Akafuku Co., Meat Hope Co., Meat Packers, Hinaidori, Fujiya Co. and Ishiya Trading Co. were brought to the consumer attention, causing them to question their domestic firms' ethics and safety (Tabuchi, 2007). In Japan, consumers' interest towards health and health-promoting foods increased.

Japanese consumers continue to express their individuality through creative choices among desirable brands seen as high quality, reputable and prestigious. While these consumers want to express their individuality, they also want to maintain social norms.⁴⁹

In the 2000s a mega-flagship store trend started in Japan, the first being La Maison Hermès in Ginza, an 11-story glass-brick tower designed by world-renowned architect Renzo Piano. Its opening, in 2001, attracted thousands of Hermès devotees who queued for days in front of its doors (Chadha and Husband, 2006). The other luxury houses followed suit, and flagship stores designed by the best architects, for example Peter Marino, who designed Chanel's store on Chuo Dori, were built. The flagship store trend deeply changed Japan's luxury retail market, to the point of being responsible for the development of new shopping districts, such as the once quiet neighborhood Omotesando, and of undermining the power of department stores, which, although still representing the main shopping channel in Japan, have been constantly losing market shares over the last decade (Chadha and Husband, 2006).

With an increasing number of women re-entering the work force, the parasite singles consumer group's influence grew. The other consumer group that gained influence is that of the baby boomers, or the first generation born after World War II: with Japan's population being the oldest in the world and one of the fastest-aging ones, the so-called "graying market" or "silver market", the senior market segment, greatly expanded.

The baby boomer generation in Japan has always been considered as extremely active and dynamic as well as being a consumption-orientated and wealthy population. After retirement they also gain a lot of free time. The high purchasing power connected with the actual willingness to spend money makes them a highly interesting target group for companies in the silver market. Japan's seniors indeed have a high spending power. [...] In reaction to the aging process and the upcoming needs and demands, new industries emerge and products and technologies are adapted or newly developed.⁵⁰

⁴⁹Parissa HAGHIRIAN, *op. cit.*, pp.11-12.

⁵⁰Florian KOHLBACHER, Andrea WEIHRAUCH, *Japan's Silver Market Phenomenon: Golden Opportunity or Rusty Reality?* Japan Close Up, May 2009, No. 110, p. 19.

These two groups, baby boomers and parasite singles, have been defined as the *nyuu richi*, or “new rich” consumer group, in referral to their great financial assets. The new rich have a high interest in luxury goods, and led to an increase in the number of Euro-American luxury brands entering Japanese market (Haghirian, 2011).

5 Luxury consumer behavior in Japan during the Great Recession

Having discussed consumer culture development in Japan in the previous section, the focus now shifts to the Great Recession, and the luxury consumer behavior trends it borne in Japan. This section discusses the trends most closely related to the economic downturn.

5.1 Decline of deference for the elite

In Japan, this trend is materialized in a loss of trust toward the governing elite, rather than in reproach towards corporate governance malfeasance as happened in Europe and the US. In Japan, the Liberal Democratic Party of Japan (LDP) has been the ruling party since its creation in 1955, except for a brief period between 1993 and 1994, which why the sweeping victory of the Democratic Party of Japan (DPJ) in September 2009’s general election was a clear sign of the Japan’s population dissatisfaction with their ruling elite. As Professor Kazuhisa Kawakami, of Meiji Gakuin University commented:

Rather than supporting the Democrats because [voters] think their policies are good, the biggest factor is the negative evaluation of the LDP’s performance⁵¹.

The previous LDP government, led by prime minister Aso, had failed to properly address some important issues such as the “wasteful use of tax revenue by the mammoth bureaucracy; the endless accumulation of government debt which at about 9 trillion dollars is the world’s worst debt-to-GDP ratio; the falling birthrate and aging population; the reform needed in the pension and healthcare system; and others. In addition, the nation was clearly fed up with frequent turnover in the Kantei or Prime Minister’s office – there have been three new Prime Ministers since the Koizumi cabinet resigned in September 2006, all without a Lower House election”⁵². Despite the

⁵¹ Justin MCCURRY, *Japan's long-ruling government braced for election defeat*, in “The Guardian” (<http://www.guardian.co.uk/world/2009/aug/27/japan-election>), 2009.

⁵² ITOH Shoichi, *After the Election: Will Japan be Different?* in “Brookings” (<http://www.brookings.edu/research/opinions/2009/09/japan-election-itoh>), 2009.

public's "traditional aversion to participation in policy issues"⁵³, the discontent emerged in September 2009's general election as the electorate's prolonged aggravation over the national economy became a major reason for the LDP's historic defeat: the slow economic recovery from the "lost decade" that followed the burst of Japanese bubble economy had been crushed by the global financial crisis. In the fiscal year 2008 GDP fell to -3.2 percent and gross national income and domestic demand contracted respectively of 4.0 percent and 2.1 percent. The annualized growth rate of the real GDP in the first quarter of 2009 post-War low of -15.2 percent. The announcement of a turnaround of the national economy positive with a real GDP growth in the latter half of 2009 was not enough to reverse the LDP's unpopularity (Itoh, 2009). With the victory of DPJ in 2009, public hopes ran high that the formation of a DPJ government, led by Yukio Hatoyama as prime minister, would mark a change for the better in Japanese politics, which had catered more to special interests than to the needs of ordinary citizens, and the end of two decades of economic stagnation. Unfortunately, these hopes were to be unanswered, as the DPJ failed to live up to many of its promises and the electorate's enthusiasm for the DPJ dispelled, giving way to a deep-seated pessimism that no one in the Japanese political class could provide the leadership the country sorely needs (Tasker, 2011). By early 2011, Naoto Kan, who became prime minister in mid-2010, had seen his popularity ratings slide below 20 percent. Japan's triple disasters of March 2011—the earthquake, tsunami, and nuclear contamination crisis— and the Japanese government inadequate performance, intensified this crisis of trust.

The dramatic events of March 11th and their aftermath showed the world "a stark depiction of the country's strengths and weaknesses. On one side of the ledger: the solidarity, courage, and extraordinary mental resilience of the many victims and rescue workers. On the other: incestuous ties between industry, bureaucrats, and politicians; blinkered strategic thinking; and a disturbing vacuum of leadership"⁵⁴. The exposure of the opaque relationships between an elite cadre of "nuclear village" proponents at Tokyo Electric Power Company (TEPCO) and officials at the

⁵³Henry TRICKS, *Summoning the Next Generation of Leaders*, in VV. AA. *Reimagining Japan. The Quest for a Future that Works*, edited by McKinsey & Company, VIZ Media LLC, San Francisco, 2011, [Kindle DX version]. Retrieved from <http://www.amazon.com>.

⁵⁴Peter TASKER, *op. cit.*, [Kindle DX version]. Retrieved from <http://www.amazon.com>.

Ministry of Economy, Trade and Industry (METI), as well as the lack of transparency and accountability has attracted great attention and criticism, and has further undermined Japan's faith in its authorities and their ability to manage risks properly and effectively.

5.2 Shift away from conspicuous luxury

In Japan, the income of the richest 10 percent of the population in the fiscal year 2007 was 4.5 times that of the lowest ones. Japanese ratio was the lowest in the world, and if we compare it with the income difference of other developed countries for the same year, like the US, Germany and Italy, where it was respectively 15.9, 6.9, and 11.6 times (Human Development Report 2007/2008, 2007), Japanese society's egalitarian nature is quite evident. In such a society, where about 90 percent of the population consider themselves as part of the middle class, luxury branded goods became badges of social positioning and belonging to social groups; in Japan, owning a regular-issue Luis Vuitton bag is not as aspirational and distinctive as in Europe or in the US, but carries the meaning of coming from a family of decent financial standing. Instead of being a celebration of individual differences, in Japan, where conforming to the norms set by your group is the proper decision to make, luxury depicts the views and goals of social groups; this perspective made luxury shopping void of the restraining moral judgments that usually accompany excessive consumption, and a real way of life (Chadha and Husband, 2006). In Japan, consumers wish to let their social group know that they have a sophisticated knowledge of fashion, hence their diligent reading of luxury fashion magazines (Degen, 2009).

Despite the social value of luxury, the Japanese luxury market still lost a significant 7 percent from 2007 to 2008 (Atsmon et al., 2009), showing that consumers in Japan had become thriftier as a result of the country's long economic stagnation and of the Great Recession, which saw unemployment and general job insecurity grow, affecting consumer confidence (Howard, 2007). Consumers had to rethink their relationship with luxury, and many seem to have come to the conclusion that branded goods have lost, at least in part, their appeal. As a 2009 McKinsey & Co. report states:

For some consumers, luxury is losing its luster. Across demographic groups, one-third of consumers agreed with the statement "owning luxury is not as special as it used to be". Confirming

the trend, in a December 2008 survey by the Nikkei Institute of Industry and Regional Economy, only 32 percent of respondents said they were “very” or “somewhat” interested in luxury products, compared with 51 percent in the same survey in 2004. [...]Japanese luxury consumers – younger consumers in particular – say they have significantly reduced their spending in luxury products over the past year.⁵⁵

The ever growing number of luxury and imported brands in Japan has led to an intensified competition for the luxury consumer’s share of wallet. Moreover, the proliferation of fast-fashion stores such as H&M, Zara, Forever21, and Uniqlo have blurred the lines between high-end luxury and casual fashion, and the mix & match between cheaper and more expensive brands has become the norm, prompting consumers in Japan to question the necessity and tastefulness of their luxury expenditures (Atsmon et al., 2009).

The trend sharply intensified after the earthquake of March 2011, when, although most recognized the need to keep up consumption in order to support the economy, the percentage of consumers saying that showing off luxury was in bad taste rose to 49 percent in 2011, and to 51 percent in 2012; and avoiding the appearance of conspicuous consumption became of central interest to consumers in Japan (Salsberg and Yamakawa, 2012). For luxury consumers, one way to fight off the shame was to look for justifications: when asked the reason for their recent luxury purchases in a McKinsey & co. survey, only 28 percent of respondents said they just wanted to or in order to treat themselves; the other 61 percent adduced other reasons, such as the quality or durability of luxury goods (Salsberg and Yamakawa, 2012). Retailers also took notice of this shift in luxury consumer behavior, as customers increasingly look for reassurance and justification for their major purchases “that extends beyond mere affinity for the luxury label or brand, whether this is represented by a good deal, a limited edition item, some ties to charity or sustainability, or something more closely related to the product’s quality or outstanding service.”⁵⁶

5.3 Hunt for value

⁵⁵ Yuval ATSMON, Brian SALSBERG, YAMANASHI Hirokazu. *Luxury goods in Japan: Momentary sigh or long sayonara*, McKinsey & Company, 2009, p.21.

⁵⁶ Brian SALSBERG, YAMAKAWA Naomi, *No seismic shift for luxury in post-quake Japan*, McKinsey & Company, 2011, p.7.

Since the Great Recession began, consumers in Japan have been reducing costs and questioning their inclination to pay for convenience. Sales of fast-fashion apparel and private-label goods have been steadily growing. Although private-label penetration in Japan is still low compared to the global average, their penetration rate has been growing, and Japan's largest retailer, Seven & I, which operates 7-eleven convenience stores and Ito-Yokaido general-merchandising stores, has seen private-label sales increased by about 60 percent in fiscal year 2010 (Salsberg, 2010). In Japan, consumers' love for higher quality is being questioned for the first time. Until recently, they would have paid a premium price in exchange for reassurance of better quality without a second thought, but today attention to price has become increasingly important, especially for younger consumers: about 30 percent of shoppers under 30 considers price as the most important factor in their shopping decisions (Salsberg and Kosugi, 2010). But although more money-minded, in Japan, consumers still hold quality in high esteem, and they did not respond to the Great Recession simply by buying lower-priced brands, but by spending money more selectively and deliberately than they previously did, mostly by trying to buy items only when on promotion, delaying purchases, and shopping at premium factory outlets; a shopping channel which has significantly grown since the beginning of the crisis in both traffic and conversion rates, supported by more value-conscious luxury consumers (Atsmon et al., 2009).

On the other hand, luxury consumers in Japan are still ready to pay a premium for investment-like goods, meaning goods in which a high quality greatly increases the value and durability, like jewelry and watches.

For example, high-end Swiss watches, such as Rolex, Omega, Piaget, and TAG Heuer, have reportedly enjoyed a significant growth in the past year. Why? Because luxury consumers seek both emotional and functional benefits. A great watch, they believe, is the kind of item that appreciates in value and can be passed down to the next generation. [...]The quest for value, in all its forms, is becoming characteristic up and down the value chain.⁵⁷

6 Post-recession luxury consumer drivers in Japan

⁵⁷ Brian SALSBERG, YAMAKAWA Naomi, *Standing tall: Japan's resilient luxury market*, McKinsey & Company, 2012, p.3.

In this section, the literature referring to possible manifestations in Japan of the same post-recession luxury consumer trends that have been observed in other developed markets is reviewed.

6.1 Desire for responsible consumption

The Great Recession, and the resulting increase in value-mindedness, as well as the internet technologies, which have made consumers much more informed and aware of social and environmental issues, and Japanese society traditional attention to health (According to a September 2009 MyVoice internet survey spending on health, sports, and recreation, seem to have held up quite well in the recession, compared to other categories) are the main causes of consumers' increased interest toward ethical and green consumption in Japan. Today's consumers are not satisfied with beautiful and functional luxury goods anymore: they expect them to satisfy other needs, be it emotional or social ones (Salsberg and Yamakawa, 2012). The trend toward green consumption has been quite evident in recent years, also supported by government incentives. One example is Toyota's hybrid car Prius' success, and according to Dentsu "Hit Product Recognition" survey, about one third of the top 20 products among consumers in year 2009 in Japan were environmentally friendly, ranging from hybrid cars, LED lights and energy-saving appliances (Salsberg, 2010).

Environmental consciousness has been emerging from some time. A survey conducted last year by the global advertising company J. Walter Thompson found that 51 percent of Japanese consumers were somewhat or much more focused on the environment than they were a year ago; only 7 percent were less focused. A November 2009 McKinsey survey found that 84 percent of the respondents preferred to buy environmentally friendly everyday consumer products.⁵⁸

Although most expressed their preference toward eco-friendly goods in a November 2009 McKinsey survey only 16 percent of respondents in Japan expressed willingness to pay a premium price for them. Consumers want the brands to be more pro-active in protecting the environment but retain a money for value orientation. Can green consumption co-exist with luxury? Many leading luxury manufacturers seem to believe so. Celebrities and other early adopters of green technologies are making statements by trading in their luxury cars for the latest hybrid versions, and some high-

⁵⁸ SALSBERG, Brian, *The new Japanese consumer*, McKinsey & Company, 2010, p.2.

end green luxury goods like Toyota's Lexus hybrid and Bridgestone's Angelino electric bicycles have gained a lot of attention and praise, prompting various luxury manufacturers to enter the emerald market, like Seikui House, which "marries quality, comfortably designed homes with ecologically sound commodities – all at a premium price."⁵⁹

6.2 Desire for experience

Today, consumers in Japan are seeking a deeper connection with luxury brands that goes beyond the retail environment. They look for a total brand experience, with services that are expected to have a high level of quality (JWT, 2009), including, of course, great in-store experience, which is nearly as important as product performance, but also other kinds of services that go beyond the purchasing experience, such as a signature café, spa, or events and art shows (Atsmon et al., 2009).

Chanel, for example, in collaboration with the world renowned French chef Alain Ducasse, has brought the luxury brand essence to *Beige*, a restaurant located to the top floor of the Chanel Ginza Building. Raising the bar, Baccarat Crystal's *B Bar* operates in Roppongi, the nightlife bulb of Tokyo.⁶⁰

Consistently with other developed markets, experiential luxury is becoming increasingly popular in Japan, and its market share might overcome that of material luxury in the future. Already, luxury hotels, spas and beauty services rank very high on the list of luxuries consumers are interested in (Salsberg and Yamakawa 2012):

Japanese luxury consumers today are more likely to weigh the purchase of luxury goods against the prospects of a luxury experience – a vacation, a meal at a pricey restaurants, a day or evening at the spa. Across demographic groups, at least half of survey respondents said they would prefer to spend money on luxury experiences rather than luxury handbags, accessories, or apparel. The manager of a leading luxury hotel in Tokyo told us that the vast majority of his guests are Japanese, including many Tokyo residents: "A large part of our customer base is 35- to 55-year-old ladies with money, so we are going after the same wallets as luxury manufacturers are."⁶¹

⁵⁹ JAPAN MARKET RESOURCE NETWORK *op. cit.*, p.10.

⁶⁰ *Ibid.*, p.6.

⁶¹ Yuval ATSMON, Brian SALSBERG, YAMANASHI Hirokazu, *op. cit.*, p.15.

6.3 Desire for the unique

For decades, luxury branded goods in Japan have represented mainstream tastes and have acted as “social codes, identifying the owner as belonging to the larger collective group”⁶², which is why the industry remained strong despite the long economic stagnation. But today in Japan consumers are becoming more confident in expressing their own personal style and preferences. They have become more knowledgeable on how to browse different shopping channels and on how to mix and match different brands, as well as the expensive and inexpensive, according to their own taste (Atsmon et al., 2009).

Today, Japanese consumers are emerging from the security of the collective group as they become increasingly comfortable expressing their individuality – whether through the articulation of opinions previously construed as overly assertive or rebellious, or through purchasing decisions that reflect individual identities. Confidence in expressing individual preferences is a radical departure in a culture where conformity has been the standard. And Japanese consumers are more sophisticated than ever in their purchasing behavior. [...] the importance consumers place on brand name is decreasing. This is a significant indicator of the shift from purchasing luxury branded goods as social code toward purchasing based on individual preference.⁶³

As consumers in Japan develop their individual styles, they have a resistance toward owning the same goods as everyone else. Their desire for exclusivity and uniqueness prompted luxury brands to offer limited or special editions (JMRN, 2007) and customization and made-to-order services:

Building off a trend popularized by other consumer-goods companies, such as Adidas and Nike in sports footwear, luxury auto manufacturers, and luxury handbag and accessory players are embracing customization. This is consistent with a broader consumer trend in developed markets (the “My” generation) where niche is replacing mass in many areas and consumers have grown used to customizing everything from their playlist to their iPhone covers. Luxury has always been synonymous with exclusivity, but with so many stores and so many channels to buy from, we have begun to see a “commoditization” of exclusivity. In a sense, then, customization is the ultimate

⁶² JAPAN MARKET RESOURCE NETWORK, *op. cit.*, p.1.

⁶³ *Ibid.*, p.1.

luxury. For example, Luis Vuitton recently launched a service in Japan that allows customers to select the leather and then design unique products. Some luxury carmakers tell us their strong revenue growth in Japan has come not because they are selling more cars, but because buyers are loading up on various bells and whistles to create their own, personalized vehicles.⁶⁴

In Japan, luxury consumers' desire for uniqueness has favored many smaller, emerging brands; which is why a number of small- and mid-size Italian luxury manufacturers have reported a double-digit growth in Japan in 2010 and 2011 (Brûlé, 2011). Moreover, since the 1970s European goods are the equivalent to high quality in consumers' minds, which is one of the reason for European luxury brands success in the country, but nowadays consumers are rediscovering Japan's own tradition and craftsmanship and the talent of a new generation of designers, and bringing success to a variety of small crafts workshops (Brûlé, 2011):

Emerging brands like Kansai-based Bag'n'Noun, which uses duck canvas originally developed for Japan's royal fleet to turn out a range of handmade bags, and Brooklyn, which produces in its Aoyama atelier high-quality leather products that can easily rival Hermès (at a better price point), have gained a loyal following in Japan as well as international attention. Then there is Tomorrowland, which has put a contemporary spin on Japan's split-toed sock; Imabari Towel, with its superior towel products; and Truck, which began as a two-person business in Osaka and now has months-long waiting lists for its distinctive timber and leather furniture, lighting, and other furnishings. [...]How did this shift come about? [...] Consumers grew weary of seeing the same products show up in department store windows all over the country. And they also didn't like seeing those brands embraced by their neighbors in the west. In a more recent context, certain luxury seemed showier than ever in the months following the Tohoku earthquake. The overall result has been a steady return to authenticity, a search for the lesser known and exclusive, and for tables at restaurants that require introductions from valued customers in order to secure a pair of seats.⁶⁵

⁶⁴ Brian SALSBERG, YAMAKAWA Naomi, *op. cit.*, p.6.

⁶⁵ Tyler BRÛLÉ, *The Post-luxury Economy*, in VV. AA. *Reimagining Japan. The Quest for a Future that Works*, edited by McKinsey & Company, VIZ Media LLC, San Francisco, 2011, [Kindle DX version]. Retrieved from <http://www.amazon.com>.

The search and desire for the exclusive, lesser known, hard-to-get and limited edition luxury seems to have become a strong trend in luxury consumer behavior in Japan, and the niche market is expanding, fueled by a newfound confidence in expressing individual style and preferences.

7. Summary

Economic downturns influence consumer behavior, and the Great Recession was no exception. In most developed markets, the global crisis was accompanied by a number of corporate governance scandals, accelerating the public's decline of deference for institutions and authority. As the public eye condemned outward displays of wealth in a difficult economic time, during which the lower layers of the population were struggling, and unemployment and job losses were on the rise, high-end consumers became more hesitant to display their wealth conspicuously. This phenomenon, dubbed "luxury shame", made luxury consumers more thrifty and modest, and encouraged a rise in interest towards simplicity, which became increasingly fashionable. During the Great Recession luxury consumers also became more money-minded, investing more time into looking for the best value for money deal and growing increasingly mercurial, valuing the search for the best deal over brand loyalty. This hunt for value, initially borne from the harsh economic situation, has progressively grown into a long-lasting trend, a status symbol of being a smart consumer. The luxury industry suffered losses for three years, from 2007 to 2009, before finally showing signs of growth in 2010, and, derived from the trends created by the Great Recession (decline of deference, luxury shame, fashionable thriftiness and hunt for value), new luxury consumer behavior tendencies came into light: the post-recession luxury consumer is placing greater importance on the ethical aspects of luxury, as well as on its uniqueness, and is also more attracted to experiential luxury. The literature tends to regard these trends as long-term ones, which will shape the post-recession luxury consumers behavior and post-recession society.

In order to determine whether these trends are just circumstantial responses to the Great Recession, or manifestations of a real, long-term, and deep-seated change in consumer behavior and role in mature markets, the study tries to determine whether the Great Recession influenced in a similar fashion luxury consumers residing in Japan, whose behavior has historically been peculiar and distinctive, and where luxury has been regarded less as aspirational and more as an expression

of mainstream taste, and it spurred the same post-recession luxury consumer behavior trends as in other developed markets.

The literature review shows that, although in a slightly different fashion, in recent years consumers in Japan have been losing faith in authorities, becoming increasingly attracted to thriftiness, and more value-minded, like their peers in other developed markets. Based on these findings, it is then possible to suppose that post-recession luxury consumers in Japan will also be following trends similar to those in other developed markets, and thus formulate the following hypotheses:

- The post-recession luxury consumer in Japan is placing greater importance on the ethical values of luxury brands. He expects and requires them to be pro-active in social and environmental causes.
- Japan's post-recession luxury consumer is also more interested in the luxury experience, which extends beyond the in-store experience, and thus spending a larger wallet share on experiential luxury.
- The post-recession luxury consumer in Japan is more confident in expressing his own personal style and preferences, and is looking for unique items that will express his individuality. Customized items should be attracting more interest, as well as smaller and niche luxury brands.

Chapter III: Methodology

This chapter describes the design adopted by this research to achieve the aims and objectives stated in Chapter I. The first section of this chapter discusses the research design; the second section introduces the qualitative data collection methodology and outlines the data collection methods used in the study, justify them, and detail the instruments used and the participants who took part in the research. Finally, the third section outlines the procedure adopted for the analysis and interpretation of the gathered data.

1 Research Design

The first step into building a research strategy is to distinguish between quantitative and qualitative approaches. Quantitative research incorporates the practices and norms of the natural sciences, and thus regards reality as objective, measurable and external (Bryman and Bell, 2006). Data collection in quantitative research is designed in a standardized way, and focuses on quantification in both collection and analysis of data. Its aim is to empirically prove a theory (Uwe, 2011). Qualitative research, by contrast, is based on an interpretive epistemology, or the belief that the social world does not follow definite laws like the natural world and thus requires a different research procedure, and aims at *understanding* human behavior and the subjective meaning of social actions, as opposed to *explaining* them (Bryman and Bell, 2006), and focuses on words rather than numbers. Qualitative research methods are concerned with gathering richer, deeper and softer data compared to quantitative research methods, which instead gathers hard numerical data with the purpose of describing and understanding social phenomena in terms of the meaning people bring to them. In the research field of consumer behavior, quantitative research focuses on understanding consumption behavior and consumption patterns to gain a deeper understanding of consumers and the underlying causes of their behavior with the assumption that findings cannot be generalized because all market situations are unique (Uwe, 2011).

A qualitative research methodology was adopted for this study since it better fulfills the purpose of understanding the shifts in luxury consumer behavior in Japan and their relation to the

Great Recession by taking into consideration the overall picture in a way quantitative research methods cannot.

2 Data Collection Method

Data is distinguished between primary, or the data that the researcher gathers on his own, and secondary data, which is information collected from already existing documents (Bryman and Bell, 2006). The data gathered from secondary sources has been critically reviewed in Chapter III. As for the primary data, considering that the research investigates luxury consumer behavior in Japan, collecting it directly from consumers by directly asking them questions on their opinion and consumption tendencies regarding luxury has been deemed the best approach for this study. In qualitative research, the technique of gathering data from humans by asking them questions and getting them to react verbally, can be conducted in different ways. The most common are: (1) structured interviews, which are constructed similarly to a survey questionnaire, with a limited range of responses for each question; (2) semi-structured interviews, which are based on questionnaires which have a function similar to a check-list of topics to cover, but answers may stray as the questions are open-ended, and the order of the questions may change during the interview and new questions may arise; (3) unstructured interviews, which may start with a question from which the interviewed elaborates while the interviewer actively listens.

The chosen methods for the primary data collection were semi-structured interviews and online questionnaires.

2.1 Semi-structured interviews

The first method for the primary data collection for this study were semi-structured interviews with consumers of Japanese nationality because the open-ended nature of the questions provides opportunities to discuss certain topics in more detail. Moreover, in the event that the interviewee has difficulties answering a question, this interview typology allows the interviewer to probe further in order to better understand the informant's thoughts and enrich his answer (Uwe, 2011). The interviews were based on a questionnaire previously prepared and tested on a sample of two luxury consumers of Japanese nationality in order to prove its effectiveness in focusing on the research topic and investigating the issues addressed by study. The questionnaire was used as

a guideline during the interviews in order to direct the informant into addressing the research problematic, and the interview was structured as open-ended as to better investigate consumers' point of view and to minimize the risk of influencing the informant's answers. The interviews have been recorded through an mp3 recording device, as this method permits to capture the whole interview and provides complete data for analysis. Later, a transcription, or a written text of what was recorded acoustically, was prepared.

2.1.1 Instruments

The guideline for the interviews has been carefully designed in order to best gather qualitative data that concerns the research problematic. It is constituted by a questionnaire (see Appendix A and Appendix B), which is composed of an introductory demographic data fill-out section and by a main part of 27 open-ended questions that address the problematic of the study.

The open-ended question typology was chosen in order to allow interviewees to answer in as much detail and freedom as they wanted. The order of the questions was also carefully considered so as to have a logical order that will not confuse the informants. Questions were carefully designed, avoiding leading questions and questions phrased in such a way that could influence the interviewees in their answers to the question or to the following ones.

The interview guideline was designed in such a way that allows the interviewer to firstly acquire demographic information on the informants, then investigate the interviewees' attitude toward luxury and luxury brands, their luxury shopping preferences and frequency, and finally turn to questions that directly address the study hypotheses and problematic in more detail. The questionnaire investigates whether the interviewees have or lack a desire for luxury experience, uniqueness and ethical consumption and to what degree it amounts to, and also tries to investigate the reasons behind these desires or their absence. Other secondary topics, such as the money-mindedness, the weight of recommendations, the use of internet technologies, and brand loyalty were also addressed. Finally, the questionnaire investigates whether the informants have noticed any change in their luxury shopping attitudes and their image of luxury since the beginning of the Great Recession.

Since the typology of semi-structured interviews requires a flexible approach, the questionnaire's function during the interviews was that of a guideline, a checklist of topics to be covered and not that of a list of questions to be strictly followed. Although in every interview all the topics referred to by the guideline questionnaire were covered, depending on the informant's answers and the flow of the conversation, the order of the questions or the words they were posed has sometimes strayed from the designed model. The reason is that, as a qualitative study, the present research is concerned with the depth of the gathered data, and creating an informal situation and following the flow of the conversation rather than a strictly defined list of questions, encourages the interviewees to talk more comfortably, and thus to gather more relevant data.

2.1.2 Participants

The participants for this study were consumers of Japanese nationality, who collaborated as informants to the semi-structured interview. The sample size is not large, as the depth of data was deemed more important than its quantity for the purpose of the study.

Qualitative approaches to research are often characterized by small sample sizes. The logical behind a smaller sample is that the researcher's goal is to collect in-depth information. The idea is that the researcher is trading "breath" for "depth". One of the downsides associated with small sample sizes, is the ability of the researcher to generalize their findings to a wider population. Qualitatively driven researchers might respond to this by saying that the goal for their study is to understand a given social process as opposed to generalizing their study's results to a wider population.⁶⁶

The sample for the study was chosen through purposive, convenience, and varied criteria. Purposive criteria determines particular characteristics the informants ought to have in order to participate in the study, determined by the specific purpose of the research (Nagy Hesse-Bieber and Leavy, 2011). In order to investigate the problematic addressed by this study, the sample had to be composed of consumers of Japanese nationality who reside in Japan, as nationals living abroad might have been influenced by the country's culture and society in a wide range of aspects,

⁶⁶ Sharlene J. NAGY HESSE-BIBER, Patricia LEAVY, *The Practice of Qualitative Research*, Thousand Oaks, Sage Publications, 2011, pp. 55-56.

making typical consumers in Japan, who are more likely to have a similar standing to the majority of potential cases, more desirable.

Convenience was also an important criteria in sampling. Because the study was implemented in Italy, the number of available informants with the above-mentioned requirements was quite limited. Thus, choosing the cases that are more easily accessible and willing to participate in the study was also an important criteria for the sampling.

The third main criteria for sampling decisions was variety. As the goal of the research project is an investigation of luxury consumers in Japan, having a sample base comprising of a variety of ages and income levels was of central importance in order to best represent the potential population and to avoid limiting the results of the study to those pertaining to a certain layer of luxury consumers in Japan.

The table below lists the participants in the semi-structured interviews for the study, their gender and age, and the date and the place in which the interview was done. For the purpose of anonymity all the participants have been assigned a pseudonym.

Informants	Age	Gender	Date of the interview	Place of the Interview
Informant A	27	M	03/19/2013	Milan
Informant B	24	M	03/20/2013	Milan
Informant C	24	M	03/20/2013	Milan
Informant D	22	F	03/21/2013	Venice
Informant E	18	F	03/21/2013	Venice
Informant F	33	M	03/22/2013	Venice
Informant G	46	M	03/24/2013	Venice
Informant H	43	M	03/24/2013	Venice
Informant I	57	F	04/06/2013	Milan
Informant J	26	F	04/08/2013	Milan
Informant K	35	F	04/15/2013	Milan
Informant L	28	M	04/21/2013	Milan

Table 1 - List of interviews

2.2 Online questionnaire

The second method used for primary data collection for this study was an online questionnaire with open-ended questions, filled-out by young consumers from Japan.

Although the data collected using this method differs from the data gathered from face-to-face interviews in its depth and exhaustiveness, it properly addresses the research questions and the problematic, and provides a larger sample base, thus increasing the trustworthiness of the research. Moreover, the sample chosen for this part of the research follows a different sampling criteria from the previous one, allowing the investigation of luxury consumer behavior in Japan from a different angle.

2.2.1 Instruments

The online questionnaire was based on the interview guideline (see Appendix A and Appendix B), thus following the same structure of an introductory fill-out section where demographic data on the informant was gathered, and a main section of 27 open-ended questions addressing the problematic of the research. The order of the topics covered was carefully considered so as to not confuse or lead the informant's answer. The questions were also carefully constructed, choosing a wording and phrasing that would not influence the informants answer to the question or to the following ones.

The questionnaire was created by use of Google Forms and the link to access it was sent by e-mail to the participants in this phase of the research.

2.2.2 Participants

The sample for this research was a group of university students of Japanese nationality. In order to better complement the data gathered from semi-structured interviews, whose sampling criteria included variety, the sampling for this part of the study was intensive, following the criteria of uniformity: all the students participating had a similar background since they were attending the same Tokyo-based university and participating in the same seminar, and their household annual income also did not present much disparities. Both male and female students responded to the online questionnaire, their ages ranged from 19 to 21 years of age, and they all filed their answers in April 2013.

The similarity of ages and backgrounds permitted an in-depth research of the differences in tendencies and opinions regarding the problematic addressed by the research that might arise within a small group with similar characteristics and value system.

The table below lists the informants of the online questionnaire, their gender and age and the date in which they submitted their answers. For the purpose of anonymity all the participants were assigned a pseudonym.

Informants	Age	Gender	Date of the questionnaire submission
Informant M	21	F	06/04/2013
Informant N	20	F	06/04/2013
Informant O	20	M	06/04/2013
Informant P	19	F	06/04/2013
Informant Q	19	M	06/04/2013
Informant R	21	F	08/04/2013
Informant S	20	F	10/04/2013
Informant T	20	F	15/04/2013
Informant U	21	F	24/04/2013
Informant V	19	F	30/04/2013
Informant W	20	M	30/04/2013

Table 2- List of collected questionnaires

3 Data Analysis and Interpretation

The first step in analyzing the qualitative data gathered was the content analysis of the transcribed interviews. The content analysis is a procedure of categorization of qualitative data to summarize and categorize it. The gathered data has to be coded and classified into categories.

The basic idea is to identify from the transcripts the extracts of data that are informative in some way and to sort out the important messages hidden in the mass of each interview.⁶⁷

⁶⁷ Beverly HANCOCK, *Research and Development in Primary Health Care. An Introduction to Qualitative Research*, Trent Focus Group, 1998, p.17. Available at “Cape Breton University Faculty Web Sites” (<http://faculty.cbu.ca/>).

The procedure involves taking notes of interesting and relevant information excerpted from the transcripts and categorize each of them in such a way that it describes the content of the note. Then, the minor categories that are somewhat linked to each other are to be listed into major categories or themes (Hancock, 1998). In order to better address the research problematic and to test the hypotheses, in this study the three main hypotheses to be tested were used as major categories, plus other categories for interesting or relevant information that did not directly concur to testing them but address other aspects of the research subject. Then, minor and major categories were compared and contrasted, and some transcript extracts were reassessed into different categories or sometimes listed into more than one category. This process was repeated over and over until all the transcript had been analyzed and all the extract fit into the right theme and minor category. Then, the transcript were once more read to see if some information that was excluded at first could be relevant and should be included.

This process may appear confusing at first. It seems as though the qualitative researcher keeps changing his mind about data and has difficulty deciding what data belongs where. To some extent this is true. The process of content analysis involves continually revisiting the data and reviewing the categorisation of data until the researcher is sure that the themes and categories used to summarise and describe the findings are a truthful and accurate reflection of the data.⁶⁸

The results collected are of non-standardized nature because the qualitative data is a depiction of meaning expressed through words. The analysis provides evidence for the hypothesis formulated as a result of the analysis of secondary sources in Chapter III.

⁶⁸ *Ibid.*, p.18.

Chapter IV: Results

The findings of the qualitative phase of the study are presented below. All participants were assigned pseudonyms in order to ensure anonymity and all verbatim quotes are attributed by these names. Brand's names cited by informants will also not be reported, and will be referred to as Brand1, Brand2, etc.

The codes and categories that were developed during the interpretation of the qualitative data were built into a model that aims to answer the question of whether the new trends and tendencies in luxury consumer behavior in Japan are consistent with those that emerged in other developed countries after the Great Recession, and to test the hypotheses developed in Chapter II by reviewing existing literature. In this chapter, the categories are introduced and expanded with reference to the gathered data.

1 What is luxury

At the beginning of the interview, informants were asked about their idea of luxury. Numerous of informants, especially younger ones, defined luxury by the positive feelings it confers to those who buy it. Confidence in yourself and a sense of superiority are the keywords that most often were brought up by the interviewees in their descriptions. The longing for these feelings was, in many cases, the informants' reason for purchasing luxury.

Informant M (21, F) - Luxury is something that people long for, something that objectively creates a feeling of yearning in people. Luxury goods have a high price image, and confer confidence to their owner and make them want to boast about them. I think the common point of all luxury goods is their characteristic of making people yearn for them. I yearn for luxury too. [...] There is a certain feeling of satisfaction that only purchasing luxury can make you feel, and I want that.

- Informant O (20, M) - Luxury is something that gives you a sense of superiority just by owning it. It's not something everybody has, so you feel different from everyone else.
- Informant N (20, F) - I buy luxury goods, several times a month. And I buy them because I want to purchase a good or a service that gives me a sense of satisfaction and security, as well as a sense of superiority to those around me.
- Informant R (21, F) - [The reason for buying luxury is] because you want to feel your social standing, you want the people around you to tell you: "Wow! That's really great". Also, luxury gives you self-satisfaction.

Some informants also introduced the concept of luxury as being personal and different for different people, depending on their values and interests; of luxury being something whose value you can really understand and appreciate because of your own peculiarities. Informant C and informant H were very clear on the subject, and provided interesting insights. Informant C explained that from his point of view, buying luxury is worth the price when it is a good he is knowledgeable about, and whose quality he can appreciate, while the same luxury good, bought by someone who cannot appreciate the better quality, would result in a waste. Respondent H reasoned that luxury is materialized in different things depending on the person's interests and values.

- Interviewer - What do you mean by the word luxury?
- Informant C (24, M) - It's something good for my self-confidence and pride. It's something symbolic.
- Interviewer - Right.
- Informant C (24, M) - Well, I don't buy much luxury, because you know, it's expensive and I don't have that much extra money.
- Interviewer - Right.

Informant C (24, M) - But recently I wanted to reward myself for something I did, so I bought a bottle of vintage rum for myself. It was expensive, but it was worth it. Just knowing I have that the bottle in my room makes me feel a little bit happier.

Interviewer - What makes you feel it was worth the high price?

Informant C (24, M) - Well, because it's really good rum. I mean, I like rum in general, so I can recognize its value. I mean, if I didn't know a thing about rum and still paid that price for it; that would be quite stupid, right?

Interviewer - So, you think it was a good purchase because you are knowledgeable about rum, while if you didn't it would have been a waste of money?

Informant C (24, M) - Yeah. It's the same difference as somebody wearing a Rolex because he knows it's a good watch and somebody doing it just to show off.

Interviewer - What do you mean by the word luxury?

Informant H (43, M) - Luxury is something not strictly necessary for everyday lifestyle, but enriches it, helps to relieve stress and is a nice change of mood. Oh, and provides motivation for work.

Interviewer - Could you give me an example?

Informant H (43, M) - Yeah, well, luxury is something that has value for oneself, whatever the price. It doesn't have to be really expensive. For me, I like traveling, eating out, going to concerts or to the theatre. That is luxury for me.

Interviewer - Right. What do you think is the difference between luxury and extravagance?

Informant H (43, M) - Luxury is something that has value for me, extravagance is something that doesn't have value for myself. Like branded accessories or jewels. But for someone else who likes that stuff, that would be luxury, I think. I guess it depends on your interests and values.

Informant C and informant H clearly defined luxury in terms of personal interests. Informant G did not directly express the same opinion, but the way he regards luxury as a way to save his free-time, which he values a lot because of his tight work schedule, reveals a similar thought process.

Interviewer - What do you mean by the word luxury?

Informant G (46, M) - For me luxury is paying other people to do what I could do by myself.

Interviewer - For example?

Informant G (46, M) - For example taking a taxi, home-delivery service, bringing my clothes to a cleaning service, and having a maid who cleans my house. They're all things I could do myself, but by paying someone else to do it for me I preserve my time and use for more fun activities. I work a lot, so I consider my free-time very important for me.

Another element of luxury cited by the informants was the brand, with its image and values. About half of the informants were able to name a brand they liked and discuss some of its elements, and considered the brand image and values when choosing a list of luxury shopping choices.

2 Being a smart consumer

Almost all the informants (with the exception of Informant O and Informant T) said that they do not buy luxury impulsively, but spend time reflecting on the purchase prior to it. The tendency to plan their luxury purchases beforehand was motivated by the high spending it involves, indicating that informants are attentive to how they allocate their budget, and thus they are careful with their big-ticket purchases. Informants were for the most part able to justify their recent luxury

purchases, and were pretty clear on what they are looking for when purchasing luxury goods or services.

2.1 Luxury as an investment

Informants often regarded purchases of luxury goods in terms of investment. They expect luxury goods to possess higher beauty and design compared to ordinary goods, of course, but also emphasized their expectation of a higher quality, which would be a guarantee of durability and functionality. The visual aspect of luxury good was generally deemed important when choosing between alternatives of the same product from different luxury brands, but when it comes to deciding between luxury and cheaper alternatives, the higher quality, and in particular the assumption of the goods' durability, was the primary deciding factor.

- Informant A (27, M) - A high price makes you think the quality is also high, so if I want high quality I go for expensive goods.
- Informant D (22, F) - I buy luxury more than ordinary goods, because I have a tendency to use one item for a long time, so I prefer to buy more expensive, high-quality goods.
- Informant Q (19, M) - Luxury is buying a high-quality good for a high price. [...] If I find a good that is worth the high price, I prefer buying luxury, because it gives me reassurance on its quality.
- Informant S (20, F) - In my purchase selection I give great importance to functionality, how sturdy and hard to break the good is, and if it is a price range I can afford.

The answers indicate that when purchasing luxury goods, they want something that they can use easily and for a long time. In this respect, it is not surprising how many informants favor classic designs when purchasing luxury. Timeless and simple designs represent for consumers a reassurance on being able to use their luxury goods for a long time, despite the changes in fashion trends.

- Informant O (20, M) - I buy classic designs. Since luxury goods last for a long time, something classical is easy to use as long as you have it.

Informant S (20, F) - [I prefer buying] classical luxury goods. Because without relation to trends, whatever the era, you can use it.

When purchasing luxury, informants said that they usually look for high quality goods, which they can easily use for a long time, and in which they can feel secure about the value in relation to the price.

2.2 Research before you buy it

Most informants affirmed that they search for information on luxury products they are interested in before the actual purchase. The reason for this pre-emptive research mostly was that, considering the high price of luxury, they want to make sure of its quality and functionality. Looking on the internet for bargains or the lowest price offered also seems to be a quite widespread precaution before luxury purchases.

Interviewer - Do you search information on the internet regarding the luxury brand and product you are interested in before the purchase?

Informant C (24, M) - Definitely. Luxury brands don't necessarily equal high quality, so I always research information on the internet before actually buying.

Informant Q (19, M) - I do. Since I'm spending a big sum I think it's better to really know the brand and good I'm going to purchase

Informant G (46, M) - I think nowadays it's a matter of course to gather information before purchasing something. Especially if it's expensive, you want to be sure you got the best deal. But maybe not doing that, just buying on the spur of the moment is the real luxury.

Informant N (20, F) - I always research before buying, because I want to avoid being tricked, or overlooking another great manufactured good. I want to make sure I have all the information I need to buy the best good at the best price. I want to buy goods

whose reliability I can feel secure about. Also, before buying a luxury good I like, I search the internet to see whether there are some websites or other stores where I can buy it at a cheaper price.

Informants generally agreed that gathering information prior to purchasing played an important role in their buying decisions, most relied on internet technologies for their researches, and many integrated it with official reviews and articles in magazines. Some informants also admitted to using their internet searches to confirm the reliability of official reviews. Informant B was particularly eloquent on the topic, and stated that, in his opinion, official reviews and articles are more likely to present a positive outlook on the good because they are influenced by the luxury houses, while internet information is mostly written by consumers, resulting in a more sincere review.

Interviewer - Do you search information on the internet regarding the luxury brand and product you are interested in before the purchase?

Informant B (24, M) - Yeah, I usually check social networks and forums to see if the information from official reviews and articles is legitimate or just a sham.

Interviewer - Do you think the information you gather from internet sources is more reliable than official reviews and articles?

Informant B (24, M) - I wonder...well magazines and such sometimes get paid by companies to make their products look good, right? So you can't trust them a 100%, I think.

Interviewer - I see.

Informant B (24, M) - On the internet it's a bit different, everybody writes what they think, and there are people that already have that product and review it based on their experience. Normal consumers that are giving free advice to other consumers, kind of.

Interviewer -

I see.

Informant B (24, M) -

It's not like everything that is on the internet is reliable, of course, and now companies sometimes pay people to write good reviews on the internet, but there are just so many people on social networks, that shams end up being just a small part of it.

Only three informants affirmed they do not research information on the luxury goods or services they intend to buy. One such example is Informant M, who prefers to decide on her purchases while in the shop and relies on the information offered by the shop's staff, who she consider to be most knowledgeable and easier to trust.

Informant M (21, F) -

I do spend time thinking about my purchase prior to it, but I do not research information. Since luxury is expensive I do spend time thinking what kind of good I will buy, but things such as the design of it, I decide on the moment. I feel that until you touch something with your own hand you won't really know if you want it or not, and if I have questions I think the best is asking the shop staff since they are the most knowledgeable about their products. I do care a little bit about recommendations and positive reviews, but in the end luxury is all about "differentiation from others", so I wouldn't want to buy the exact same thing I was recommended.

Another recurrent topic was reviews from friends and family. This topic was not directly brought up by the interviewer's questions, but some informants indicated friends as review or recommendation sources that they trust and that influence their buying decisions.

Informant C (24, M) -

I often start liking certain brands or specific products after hearing praises about it from my friends and family. I also

ask them opinions about luxury goods and services I plan to buy.

Informant I (57, F) - When I want to buy luxury clothes or accessories I usually ask my daughter for advice. She likes fashion, and she knows what brands are a better choice.

Informant J (26, F) - Sometimes I become interested in luxury brands after seeing some of my friends wearing them. One such example is Brand1. I used to think it was a brand for older women, but after seeing my friend wearing a coat from that brand I thought it was really cute, and she told me the quality of the materials is very good. Now I always consider it as one of my choices when shopping.

3 Sustainable luxury

The sustainability issue was addressed from two different points of view during the interviews and questionnaires. Different questions tested the informants' attitudes toward luxury brands that actually damage the environment and brands with poor ethical performance on one side, and their attitude toward luxury brands that are actively sustaining environmental or social causes on the other.

3.1 Non-sustainable brands

When asked about how they would react if a luxury brand they liked was involved in a scandal involving environmental damage or unethical actions, all informants admitted they would feel some discomfort towards the brand, but the degree of these negative feelings was differed from one informant to the other. About half of the informant affirmed that they would definitely stop buying the brand. Some of the answers had such a definite tone that it suggested that the informants felt almost offended that someone could think they would still buy it even after a similar scandal.

Informant C (24, M) - I would associate the brand to that, so I would start hating it.

Informant D (22, F) - I would definitely not buy it anymore. Ever.

Informant G (46, M) - I would care a lot. If something like that happened not only would I hesitate to buy the brand, but it would be impossible to like it again even after many years. It's not luxury, but Brand2 had a similar scandal over 10 years ago, employing children from poor countries, and I still remember it and would not think about buying its product.

Not all the answers were so vehement, and one informant said she would hesitate to buy the brand, but that would partly be because of external pressures. A few others said that they probably would have some issues with the scandal, but that would not necessarily mean they would stop buying the brand.

Informant M (21, F) - I would hesitate, or rather, I wouldn't buy it anymore. Otherwise I would feel judged for wearing the brand. And that would decrease my self-confidence.

Informant P (19, F) - I don't know if I would hesitate to buy it, but when I buy that brand's goods I would be reminded of that news every single time.

Informant O (20, M) - If, when the news become public, the brand doesn't do anything to cope with it, I would stop buying it. But if the brand tried to find a solution with a real effort and sincerity, then I would keep on buying it.

In general, a distaste toward luxury brands damaging the environment or society could be observed.

3.2 Proactive brands

Regarding the inclination to buy luxury brands that are active in sustaining environmental and social causes, informants were quite divided in their answers. About half of them said that their buying decision would not be affected, or that they are not informed on the topic of luxury brands' sustainability, nor feel that there is a need to be.

Informant M (21, F) - I don't think that there is a need for luxury brands to be proactive in sustainability. As long as they don't have a bad influence on environment and society their image won't be damaged, so that's enough.

Informant G (46, M) - I don't really use sustainability as a deciding factor when purchasing luxury.

The other half of the informants affirmed they would like to buy such a brand because of the positive influence it would bring to society, as well as contributing to make the brand more popular.

Interviewer - How much more would you be inclined to purchase a luxury brand which is actively involved in sustaining the environment and/ or society?

Informant A (27, M) - I would want to buy it. As for the reason, it's because it would compensate or even cancel my feelings of guilt for buying something so expensive. At least I would have contributed to something good.

Informant C (24, M) - I would probably choose it over similar brands that are not proactive in sustainability.

Informant Q (19, M) - I think I would be more inclined to buy it, because socially the brand's image would be better.

Informant S (20, F) - I would want to choose it, because a company that does that kind of activity is a wonderful thing.

Informant T (20, F) - I think I would like the brand, because the company is taking responsibility for the society we live in.

But many of these answers had a hypothetical and generic character, and when asked about it, some informants admitted to not being knowledgeable on the topic of sustainable luxury.

- Interviewer - How much more would you be inclined to purchase a luxury brand which is actively involved in sustaining the environment and/ or society?
- Informant D (22, F) - I would be convinced to buy it. The environment is important, and lately lots of environmental issues have been brought to light, so I would want to help, even indirectly.
- Interviewer - Have you ever bought such a brand before?
- Informant D (22, F) - Umm, I don't know. I guess I never really gathered information about it.

On the other hand, some informants proved to be informed on the topic, and even to have purchased such brands before. The sustainable luxury goods mentioned more often and treated with more interest were hybrid cars.

- Informant L (28, M) - I would definitely like to buy environment-friendly luxury goods. You know, lately there is a lot of talk about them, in particular about “green” cars, like Brand3's [hybrid car]. I would love to have one, but they're too expensive for me. I think that is the best sustainable luxury good, you know, because the fact that it's environment-friendly also has perks for you, because the gas consumption is better than that of regular cars.

4 Experiential luxury

Informants' answers indicated a general fruition of luxury experiences, most often in the form of overseas travel, spas, beauty services, restaurants, theatrical plays and concerts. When discussing why they were interest, or not, in experiential luxury, informants mostly referred to the durability factor and the possibility of sharing the experience. It is interesting how these two aspects were seen by some informants as belonging to experiential luxury, while for others those are the points where luxury experiences are lacking in comparison to material goods, becoming their

reason for preferring to spend their budget on luxury goods rather than experiences. Three informants said that in recent years their consumption of experiential luxury had increased.

4.1 Durability of experiential luxury

Some informants indicated that luxury experience, lacking a material form, are less durable than luxury goods, almost momentarily, thus making a poor investment.

Informant A (27, M) - I would rather buy goods, because they last, while experiences don't. If I buy a luxury good I can use it for years, and the time I can use it for is longer than ordinary goods, because the quality is better. Experiences, well, the moment the service is finished, so is your gain.

Informant S (20, F) - I would rather buy, and do buy a bit more, luxury goods. The reason is that although I do buy experiences, goods lasts physically so there is no waste.

Informant L (28, M) - If I spend a lot of money on a quality good, like a wallet, I can use it for years and get my money's worth. If I spend the same amount of money on an experience, the moment it finishes I would probably start regretting using all that money. For example, if a couple spend a lot of money for their wedding ceremony, they get a great day and happy memories, but I bet after some time they would start thinking how else they could have used that money, like on new appliances they would make their daily life easier.

On the other hand, other informants weighted the worth of experiential luxury based on the durability of the memories they produce, and instead regarded material luxury goods as more fleeting.

Informant O (20, M) - I buy more luxury experiences than goods. The reason is that experiences last longer within me than goods do. Goods end

up breaking, or you get tired of them, and then stop using them.

Informant U (21, F) - Goods are fashion-related, and you're going to stop using them sooner or later.

Informant L (28, M) - I buy both luxury experiences and goods, but I guess I'm usually more satisfied with my experiential purchases. I think it's because I make wonderful memories. I probably will be thinking about the time I spent my vacation in Europe, or that one time I tried paragliding, even when I'm old.

4.2 Sharing luxury

Another relevant aspect discussed with informants was the possibility of sharing luxury with others. Some informants indicated that endorsing in luxury experiences with their loved ones, and sharing the feeling of satisfaction they get from it, is one of the main reason they enjoy experiential luxury.

Informant N (20, F) - I think a luxury experience is an experience I find special and high-class. Recently I went to Paris on a trip and I took a picture with my friends in front of the Eiffel tower. I think that's luxury because it requires quite a lot of money to go to France, so it's high-class. And it's special for me because I took that photo with my important friends.

Informant I (57, F) - I think what I like about luxury experiences, like going to a fancy restaurant, going on a trip, or going to the spa, is the social aspect of it. These are all things I do with my family and friends, the people I care about. Luxury experiences require time and money, and I enjoy using them to have a great time with my important people. And I'm happy they also want to spend their money and time to make beautiful

memories with me. I think it's a subtle way to show our affection for each other.

Not all the informants shared this opinion, and a few expressed their preference in sharing luxury goods, such as a bottle of high-class wine, with their loved ones, rather than luxury experiences. One informant in particular articulated her opinion as contrasting to the sharing possibilities of experiential luxury and noted how luxury goods, being visible are easier to use for social reasons.

Informant M (21, F) - I buy more luxury goods than luxury experiences. The reason I enjoy luxury, of course, is self-satisfaction. But the desire to show off is also a big component. I can easily show off goods to other people, while I feel the experiences I can share with someone are quite limited, so I can't communicate my feelings of luxury to others.

4.3 Small luxuries

Some informants also indicated that they often purchased "small" luxury experiences as a way to reward themselves and release stress. Massages, going to the beauty salon or to a nice restaurant, allows them to taste the feeling of luxury and of being pampered without the effort and responsibility big-ticket purchases involve.

Informant J (26, F) - I like branded clothes and travelling, but they require a big budget. It also takes quite some time to plan a trip, and I can't just go whenever I like, because of work. [...] When I'm stressed out, or I just want to relax a bit, I usually go get a massage, or I go to the spa. It's not too expensive, because a massage lasts maybe an hour or two, so I don't have to think too much about it. Also, I often go to nice places for dinner with my friends or family. It's not the same as going to a hotel or buying a Brand4 watch, but it's nice and relaxes me.

I think that's still luxury, but maybe "small" luxury, because you can afford it more often.

Informant M (21, F) - Since I'm still a university student, for me luxury experiences are what you could call "small rich experiences". For example eating at a three star restaurant. Of course the food would actually be rich, but more than that I would be looking for the experience of "eating at a three star restaurant"

5 Personal luxury

Informants suggested that exclusivity and differentiation from the others is one of the allures of luxury. Although, on one end, they expressed interest for classic designs, which are easy to use and are independent from fashion, they also wish for differentiation, and look for luxury goods that will set them apart from their surroundings.

Informant Q (19, M) - I often buy things that give me a feeling of "only one" without thinking about the money.

Informant R (21, F) - Luxury is something that you think others don't have, that only you own.

Some informants found a conciliation of their wish of having easily recognized luxury goods and their desire to be different from the masses in luxury brands limited editions, which guarantee a certain degree of exclusivity while endorsing famous designers.

5.1 My own style

Despite the admitted popularity of classical and timeless designs when purchasing luxury goods, and that of the more famous luxury houses, the majority of informants said that the luxury goods they own express their own personal style more than the mainstream taste. Purchasing something by taking into consideration personal style and preferences over the popularity of the brand was often referred to as a matter of course.

Informant S (20, F) - I personally like Brand5. But it's not like I want to uniform myself to Brand5, and I think I often choose brands that fit my image. The reason is that even with Brand5, some things

fit me and some don't, and with things you actually use, like clothes, I'd rather buy things that fit me well.

Informant J (26, F) -

I have a few things, mostly accessories and bags, from very famous luxury brands, but especially when it comes to clothing, I feel they don't fit my style well enough. For example, Brand5 and Brand6's designs are very feminine, and I guess my style is not really like that, I guess. [...] Also, I kind of enjoy wearing luxury clothing from smaller brands, because when people would ask me where I bought it, my answer wouldn't be one they expected. And sometimes they even started liking and buying that brand too, which makes me happy, because it means they think I have good taste.

Informant D (22, F) -

I buy luxury goods according to my style. If it doesn't fit my image I don't want it.

Informant O (20, M) -

I want to buy something that fits my image perfectly. Because whether it suits me or not is more important than the brand name.

One informant, while discussing how her approach to luxury had changed in recent years, commented that the main change was that she started caring more about showing her own personal style.

Informant D (22, F) -

I don't feel the need to collect luxury anymore. What's important is my style. Now the appeal is in how well it fits my image, not in the brand name.

The importance placed on personal style and differentiation does not stop the informants from being passionate about the most famous luxury houses, although an inclination to look for more exclusive designs from famous names was suggested by some of them.

Informant M (21, F) -

I want them [my luxury goods] to display personality. Even among luxury brands, I think a design that no-one else has

would be the best! For example, everybody has a Brand5's [classic model] bag, so I don't buy it. But if I were to find a Brand5 bag with an interesting design that you do not see around much, I'd buy it.

On the other hand, some informants expressed a definite preference for buying luxury from famous houses, because of their widespread popularity:

Informant M (21, F) - If it's a luxury brand, I would want to buy one that suits me. Because that's what makes you different from your surroundings. Still, if the brand was totally not famous, and maybe not as expensive, I don't think it can stand on the same stage as Brand5, and I would choose Brand5 instead.

Informant R (21, F) - Regarding luxury, other people's judgment is important, so I buy famous brands like Brand5.

5.3 Customization

Informants' opinions regarding customized or made-to-order luxury goods were quite positive. Almost everyone said they regard them as being of higher quality in respect to mass produced luxury goods, and, at least in part of the production, as involving a hand-made process. Moreover, the exclusivity and uniqueness of the good would increase the emotional attachment to it, as well as the sense of superiority and differentiation from the surroundings.

Informant V (19, F) - I'd love to buy a made-to-order luxury good, but they are very expensive. They are both goods that match you perfectly and something that makes you excited and you easily get attached to. Because of these two characteristics I think the satisfaction you would get by purchasing a made-to-order luxury good would be extremely high.

Informant C (24, M) - With ready-made goods I am the one who has to match myself to them, and it's only possible to a certain degree. Customized and order-made goods match themselves to you.

Informant T (20, F) - I'd like to buy a made-to-order luxury good. I can get huge satisfaction from something I especially ordered for myself.

Informants also associated personalized luxury goods with an extremely high prices, which is the reason why, although most expressed their yearning for exclusive and customized goods, only a few informants actually had experienced such a purchase.

Informant N (20, F) - I never bought customized goods, because they have a very expensive image. They are made just for you out of the whole world, so I think the quality would be great, and so would the price.

Informant G (46, M) - I have never bought personalized luxury goods, but of course I would love to. And of course, I do simulations of order-made goods. After all, fantasizing is free.

Informant K (35, F) - I once ordered a customized luxury watch as a gift, but not by myself, of course. It was a collective gift, like 10-15 people. It was great. The person who received it was very happy. [...] Of course I'd love to get one for myself, but that kind of thing it's really expensive, so I can't buy it.

Some informants suggested that customized luxury goods are a good choice when complemented by a strong design from the luxury houses, or when the purchaser has a great knowledge regarding that kind of good and their own preferences, otherwise wrong choices might just end up decreasing the beauty and value of the good, rather than increasing it.

Informant C (24, M) - It depends on the good. If it's something I have rarely bought, like glasses or hats, I'd rather buy something classical. If it's something of which I understand my preferences well, like shirts or fountain pens, I'd like it order-made.

Informant M (21, F) - Luxury brands' design is amazing, so I wouldn't want to design it myself. Rather, I feel the elegance would be diminished. [...] If I were to buy a design with a high

diffusion rate, then I'd prefer to have it customized. Otherwise, I'd buy a standard design, because it's the kind of good that best expresses the brand's individuality.

Informant N (20, F) - I think a "mainstream manufacturer order-made good" would be the best, because then you get fashion and individuality at the same time.

6. Summary

In this chapter the results from the semi-structured interviews and online questionnaires were presented. Informants' answers were quoted to highlight the findings and to provide them with a solid basis. The topics were organized in a logical way, starting with general considerations about luxury, and informants' luxury consumer behavior; then the findings referring to the hypotheses elaborated in chapter II were presented. The results of the study were reported objectively.

The first hypothesis tested whether the trend of growing awareness and desire for a more responsible luxury consumption has emerged in Japan, like it has in other developed countries. In order to support the hypothesis, the results should show that luxury consumers in Japan are placing greater importance on the ethical values of luxury brands, and expect them to assume a proactive standing in social and environmental causes. The results of the study show a general feeling of spite regarding luxury brands whose activity might bring about damages to the environment and society, although these feelings would not necessarily mean that consumers would stop buying from such a brand, it would make them hesitate about their purchases. This consideration supports the theory that consumers nowadays expect and require luxury goods to be not only aesthetically beautiful and functional, but also ethically correct (Cappellari, 2011). However, although the results show a medium interest toward luxury brands that actively protect the environment and endorse activities that have a positive socio-cultural impact, this interest is only at a theoretical level. Informants proved to possess scarce knowledge on the topic, with the exception of a few particular luxury goods that have been attracting attention in recent times, the most popular among informants being hybrid cars. These findings show that despite expecting luxury goods and services

to be void of negative effects on society and the environment, consumers are not particularly focusing their attention on the proactiveness of luxury brands in sustaining environmental and social causes, which contrasts with the pattern presented by Cappellari (2011) and by Kotler, Kartajana and Setiawan (2010) and with the theory presented by Salsberg and Yamakawa (2012). For this reason, the hypothesis cannot be fully supported.

The second hypothesis tested whether a trend of increased fruition of experiential luxury, consistent with what emerged in other developed markets, has taken root in Japan. In that case, luxury consumers should be showing interest in luxury experiences, which extend beyond the in-store experience, and spending a consistent wallet share on experiential luxury. The results achieved showed a general fruition of experiential luxury, with dining out, beauty services and travel being the luxury experiences most commonly purchased. Although not unanimous, a widespread appreciation of the immaterial characteristics of experiential luxury could be observed, expressed in the value attributed to the possibility of sharing the experience with someone dear, and to the memories produced by such an experience, that because of their intangibility are regarded as life-long benefits and increase consumers' satisfaction with their purchase. These findings are consistent with the theory expressed by Bellaiche (2012), with the pattern presented by Atsomon, Salseberg, and Yamanashi (2009), as well as that presented by Salsberg and Yamakawa (2012). The results also suggest that consumers regard "small" luxury experiences as a way to treat themselves to some luxury without investing too much, which is consistent with post-recession consumers' increased money-mindedness and thriftiness, as suggested by the theories presented by Yeoman (2010), JWT (2009), and Atsomon, Salseberg, and Yamanashi (2009). The results discussed provide validation for this hypothesis.

Finally, the third hypothesis tested whether, consistent with other developed markets, a trend of increased interest in uniqueness has emerged in Japan. For this hypothesis to be supported, the results of the study should show that luxury consumers in Japan have gained confidence in expressing their own style and preferences, and are looking for unique items that will express their individuality, which are best concretized in custom-made luxury goods. The results of the study show that expressing a personal style through luxury is considered more important than the

popularity of the brand, and most informants expressed confidence in being able to choose luxury goods that fit their image and express their individuality, which is consistent with the theory expressed by Atsomon, Salseberg, and Yamanashi (2009). The most famous brands still retain their allure, but an interest toward less-renowned brands could be observed, and a specific preference for either bigger or smaller luxury houses could not be noted. Rather, the confidence of consumers in choosing goods that fit their individuality in both cases was very clear. These findings are supporting the hypothesis, and are consistent with the global patterns presented by Atsomon, Salsberg and Yamanashi (2012) and JWT (2009). The opinion regarding customized goods emerged as positive, with their quality regarded as higher than that of mass-produced luxury goods, and with its extreme exclusivity being extremely alluring to consumers in Japan, who yearn for something made just for them consistent with the global trend in developed markets, as the theories from Thomas (2007), Yeoman (2010), and Panteva and Kaczanowska (2012) illustrate, although showing some discrepancies with the pattern presented by JMRN (2007) and Brûlé (2011) which would also involve a definite shift of consumer preference from mass to niche, that the results of the study do not show. The perceived exclusivity and higher quality contributes to the expensive image of customized luxury, which, results show, is the main reason why most informants have never experienced order-made purchases despite their longing for them. Another interesting finding was the preference for customized mainstream designs, which are regarded as a good way to conciliate mainstream taste with consumers' own individuality and personal style. Despite the discrepancy regarding the popularity of niche brands in respect to bigger ones, the results of the study are compatible with the proposed hypothesis, and provide it with validation.

In conclusion, the post-recessionary long-term trends regarding the desire for experience and the desire for uniqueness were found to be shared by luxury consumers in Japan and by their counterparts from other developed countries, while the trend involving a greater desire for sustainable luxury that has emerged in most developed markets were not found to have taken root in Japan.

Chapter V: Conclusions

In this chapter, the conclusions on the findings of the study and their implications are argued. The limitations of the study and recommendations for further researches are also presented.

1. Findings of the study

The results of the study show that luxury consumers in Japan have reacted to the Great Recession by developing trends largely consistent with those that emerged in other developed countries despite the prior diversity in their behaviors. Luxury consumer behavior during the Great recession has developed in a closely related fashion in Japan and other mature markets. The post-recessionary trends regarding luxury consumers' desire for experience and desire for uniqueness were found to be spreading in all developed countries, while the trend regarding a desire for responsible luxury consumption has not been found to be gaining much popularity in Japan as in other developed countries. The similarity in the reactions to the global recession suggests that these trends are not just circumstantial responses to the economic downturn, but a more deep-seated change in luxury consumer behavior. Despite the discrepancies presented and the consequent lack of complete generalizability, the cross-cultural value of the changes stemmed from the Great Recession is notable.

The present study has revealed that post-recession luxury consumers have been influenced by the Great Recession not only by amplifying the importance attributed to material aspects of the goods and services, monetary value and convenience, thus compelling them to hunt for the best deal and best value for their money, but also to non-materialistic aspects of consumption. The economic downturn and the consequent money-related problems it created for many consumers has made them to question the nature of economic success and its relevance in relation to other aspects of their life. The financial hardships and worries created by the Great Recession seem to have reminded consumers of everything else there is to be appreciated that cannot be directly bought, such as their own individuality and personality, sharing experiences with loved ones and social and environmental causes. In conclusion, the global crisis seems to have sharpened consumers' attention to their budget allocation, but the prolonged period of worries on their

finances and material needs has reminded them of the allure of less materialistic pleasures, and luxury consumers are willing to pay the premium price to satisfy these desires.

2. Theoretical implications

The findings of the study provide support to the theoretical framework elaborated by Fabris (2010), showing that the Great Recession has been a catalyst for a shift in consumers' role, and for consumption itself from the economic sphere to the social sphere. Fabris theorized that such a shift would involve a gradual distancing from consumption as a means of satisfying the need to demonstrate wealth, towards consumption as a mean of expressing characteristics that emphasize an individual's identity, style of life, and values. The post-recessionary luxury trends individuated by the study confirm this theory, and add a more widespread validity, as the study shows that these shifts are not constricted to Europe and the US. Although luxury consumers in Japan have long used luxury as a means of showing mainstream taste rather than personal wealth, they have also experienced behavioral shifts in the direction theorized by Fabris (2010), suggesting that the theoretical framework he elaborated also has a cross-cultural validity.

The present study contributes to the stream of research on the extended self and materialism. As Belk (1988) argues, people tend to consider possessions as part of themselves, and consumption acts could be considered as extensions of the self, contributing to and reflecting our identity. "That we are what we have is perhaps the most basic and powerful fact of consumer behavior."⁶⁹ Because material symbols play an important part in self-definition, luxury can be regarded as an aspiration for a better self. The present study contributes by outlining the characteristics of the ideal self that post-recession consumers are aspiring to and trying to achieve through the consumption of luxury.

3. Practical implications

The findings of the study implicate the necessity for luxury brands to take into consideration the trends that have emerged from the Great Recession in their marketing choices. Consumers' approach to luxury and to premium purchases has undergone a shift, and careful consideration of the new priorities of luxury consumers is required for a successful marketing approach.

⁶⁹ Russell W. BELK, *Possessions and the Extended Self*, *Journal of Consumer Research*, September 1988, Vol. 15, No. 2, p. 139

Luxury brands should seek to maintain a verifiable high quality that justifies the premium price, while tailoring offers that relate to post-recession consumer's desires. In other words, they should develop the customization possibilities of their brand and propose limited edition lines, and also develop the experiential side of their brands. Offering monogramming services for classic designs would be the most basic service to offer and the ideal compromise between personalization and the brand's image and design. In the case of luxury goods manufacturers this could be achieved by the development of brand-related services, such as flagship restaurants or cafés. Promotional activities involving special events for consumers would most probably be successful. For example, the possibility to meet and greet the designer at the launch of a new line, or organizing promotional events that actively involve consumers such as a treasure hunt are most likely going to attract great participation and interest. When organizing such events, the possibility to participate with friends or family should be held in high regard, as it is one of the main requirements to attract a large number of consumers. It would also be advisable to sustain social and environmental causes, because it would improve the likability of the brand.

4. Limitations and future research

The study has offered a perspective on the new trends borne from the Great Recession in luxury consumer behavior, and was conducted with the focus on consumers in Japan, through a qualitative methodology. As a direct consequence, the study presents several limitations, which need to be considered. The sample for the study was made up of twelve consumers for the semi-structured interviews and eleven for the online questionnaires, for a total of twenty-three participants. Their experiences and attitudes, although insightful, cannot be a representation of all of the luxury consumers in Japan, and the results of the study cannot be generalized to a larger population. In order to have a clearer depiction of the post-recessionary trends in luxury consumer behavior, further researches should focus on different social groups, or different age groups, to explore whether there are differences in how they have been affected by the Great Recession and by the recently emerged trends. Further researches in this direction would provide valuable insights on the influence of demographic factors on the development of the luxury consumer behavior shift borne from the Great Recession.

Moreover, qualitative research is subjective to a certain extent, and there is the possibility that the researcher has not addressed the issue of subjectivity and inter-subjectivity properly, causing a pollution of the gathered data and a consequent research bias. Further researches involving a different methodology would confirm the validity of the present study's findings.

Lastly, the theories discussed refer to processes developing over time, and indicate the post-recessionary luxury consumer behavior trends as long term ones, but the study was time-wise limited to a period of several months. For this reason, it can only be a depiction of luxury consumer behavior in that period of time. Further researches on the same problematic, if undertaken in the following years, could implement the findings of the present study and deepen the understanding of the post-recession luxury consumer trends as well as clearing the scope of their term and their influence on luxury consumer behavior.

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Appendices

Appendix A: Questionnaire Sample in Japanese

年齢_____ 性別_____ 世帯年収_____

同居している家族_____ 学歴_____

【学生の場合】

親の職業と年齢_____

兄弟姉妹_____

1. あなたにとって「ラグジュアリ」はどういう意味がありますか。「ラグジュアリなもの」と「通常のもの」とはどう違いますか。(答えの例:「気分が良くなる」「他人に自慢できる」)=ラグジュアリなモノの役割や機能
2. 「ラグジュアリ」と「浪費」の違いは何ですか?例となるものを取り上げて説明してください。
3. あなたにとってラグジュアリなモノやサービスを3つ挙げてください。なぜそれがラグジュアリだと思いましたか。
4. どうして人はラグジュアリなものやサービスを買うと思いますか。
5. ご自身もラグジュアリなモノやサービスを買いますか。なぜですか。どれくらいの頻度で買いますか。一番最近買ったモノは何でしたか。なぜ買いましたか。
6. ラグジュアリなモノを買うとき、だいたいいつもどういう特徴のあるモノやサービスを買っていますか。
7. あなたが買うラグジュアリなモノのブランドは決まっていますか。(いつもある程度決まったブランドを買いますか。)どのブランドですか。なぜそのブランドを買うのですか。
8. 自分が好きなラグジュアリなブランドを一つ教えてください。なぜそのブランドが好きですか。

9. ラグジュアリアなモノを買うときは計画的に買いますか。衝動的に買いますか。買う前に、気に入った製品について調べますか。どのように？
10. ショッピングをするときに、ラグジュアリアなモノを買おうか普通のモノを買おうかと迷ったとき、どういう選択をしますか。
11. ラグジュアリアなモノを買うとき、価格は重大な決定要素ですか？なぜですか？
12. 「ラグジュアリアな経験」というのは、どういう経験だと思いますか。ラグジュアリアな経験をした最近の例を挙げてください。
13. モノではなくラグジュアリアな【経験】を買うとき、だいたいいつもどういうサービスを買っていますか。
14. ラグジュアリアにお金を使うなら、ラグジュアリアな経験(例：高級ホテル、サロン、レストラン)かラグジュアリアなモノか、どちらを買いたいですか。なぜですか。どちらをよく買いますか。何対何の比率ですか。(2：8など)比率に変化がありましたか。
15. ラグジュアリアなブランドを買うとき、そのブランドが持つイメージや価値観は大切ですか。
16. もし、好きなラグジュアリアなブランドが環境を破壊していたり、又は未成年者に労働させているように社会的責任を全うしていないというニュースを知ったら気にしますか。そのブランドを買うことをためらいますか。あるいはやはりそのブランドを好きでいると思いますか。
17. ラグジュアリアなモノを買うとき、環境や生態系や社会を守ることに積極的なラグジュアリアなブランドを選びたいですか。なぜですか。
18. ラグジュアリアなモノを買おうかと考えているとき、評判や口コミを気にしますか。なぜですか。
19. ラグジュアリアなモノを買う前に、インターネットでブランドやモノに関する情報を集めたり調べたりしますか。なぜですか。

20. ヴィトンのバッグのような人気のあるブランドかあまり知られていないけどあなたのイメージにぴったりブランド、どちらを買いたいですか？なぜですか。
21. 持っているラグジュアリーなモノについて考えてください。主流ファッションか個人的なスタイルか、どちらの特徴を他人に見せたいですか。
22. ラグジュアリーブランドのオーダーメイドで買ったことありますか？買った経験はなくても、情報を探したことありますか。なぜですか。
23. ラグジュアリーブランドの大量生産品の質よりオーダーメイド品の質が良いとおもいますか。なぜですか。
24. 「ラグジュアリーなオーダーメイド品」「オーソドックスな変わらぬデザインのラグジュアリーなモノ」「今流行りのデザインのラグジュアリーなモノ」のどれを買いたいですか？なぜですか。
25. 近年、あなたのラグジュアリーについての考え方や買い方が変わったと思いますか。どのように変わりましたか。
26. もし、世界金融危機が始まってなかった5年前にこの調査を受けていたら、違う答えを出したと思いますか。どういう答えになっていたと思いますか。
27. ラグジュアリーなモノやサービスを買控えるべきだと思いますか。なぜそう思いますか。(例: 近年景気が悪いから、震災被災者に申し訳ないから、ブランド品を持ち歩くのは格好悪いから。)

Appendix B: Questionnaire Sample in English

Age_____ Gender_____ Household _____ annual
income_____

Number of family members living together_____ Education level_____

【 Only for students 】

Parents' occupations and age_____

Brothers and sisters_____

1. What do you mean by the word luxury? How do luxury products differ from ordinary ones?
2. What is the difference between luxury and wasteful extravagance? Please explain using actual goods as examples.
3. Please give three examples of luxury products and services. Why do you think they can be defined as such?
4. Why do people buy luxury products or services?
5. Do you buy luxury goods or services? Why? How often? Mention a recent example. Why did you buy them?
6. When you buy luxury, what kind of good or service do you usually tend to purchase?
7. Do you buy a specific brand as your luxury shopping? Which brands are they? Why do you purchase the brands?
8. Please give one example of a luxury brand you like and explain the aspects of the brand that make you like it.
9. When you buy luxury goods or services, is it impulsive or do you spend some time reflecting before the purchase? Do you research information on the good or service prior to your purchase?
10. When choosing between luxury and non-luxury alternatives, products or brands, what are the main reasons behind your decisions?
11. Is the price factor to you when considering purchasing a luxury product or service? Why?
12. What do you think a luxury experience is? Please give a recent example.

13. Which kind of services do you usually purchase as experiential luxury?
14. Would you rather spend money on a luxury good or on a luxury experience? Why? Which one do you purchase more often? Please state the ratio. Have there been any changes of the ratio in the last few years?
15. How important is the brand image and its values to you when considering purchasing a luxury product or service?
16. How would you react if a luxury brand you like was found out to be damaging the environment or to not be ethically correct (example: underpaid or underage worker, discrimination etc.)? Would you still like the brand?
17. On the other hand, how much more would you be inclined to purchase a luxury brand which is actively involved in sustaining the environment and/or society? Why?
18. How important are recommendations and positive reviews to you when considering purchasing a luxury product or service?
19. Do you search information on the internet regarding the luxury brand and product you are interested in before the purchase? Why?
20. Would you be more interested in buying a popular luxury product (i.e. Louis Vuitton bag) or a lesser known one that fits more your image? Why?
21. Think about the luxury brand goods you own. Do you think they express more the mainstream taste or your own individuality? How important is the individuality factor in your luxury purchases?
22. Have you ever bought or gathered information about customized luxury products? Why?
23. Do you think made-to-order luxury has higher quality compared to mass produced luxury? Why?
24. Between customized luxury goods, classical luxury goods and the season's "it" luxury goods, which ones appeal more to you and why?
25. Do you think your approach to luxury and/or the way you purchase it has changed in recent years? How?

26. Do you feel any of your answers would have been different five years ago, before the global financial crisis started?
27. Do you think that luxury shopping should be, if not entirely avoided, at least kept to a low level? (Because of times of economic hardship, feel sorry for Fukushima refugees, or having a high prestigious brands is no longer fashionable, etc.)

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